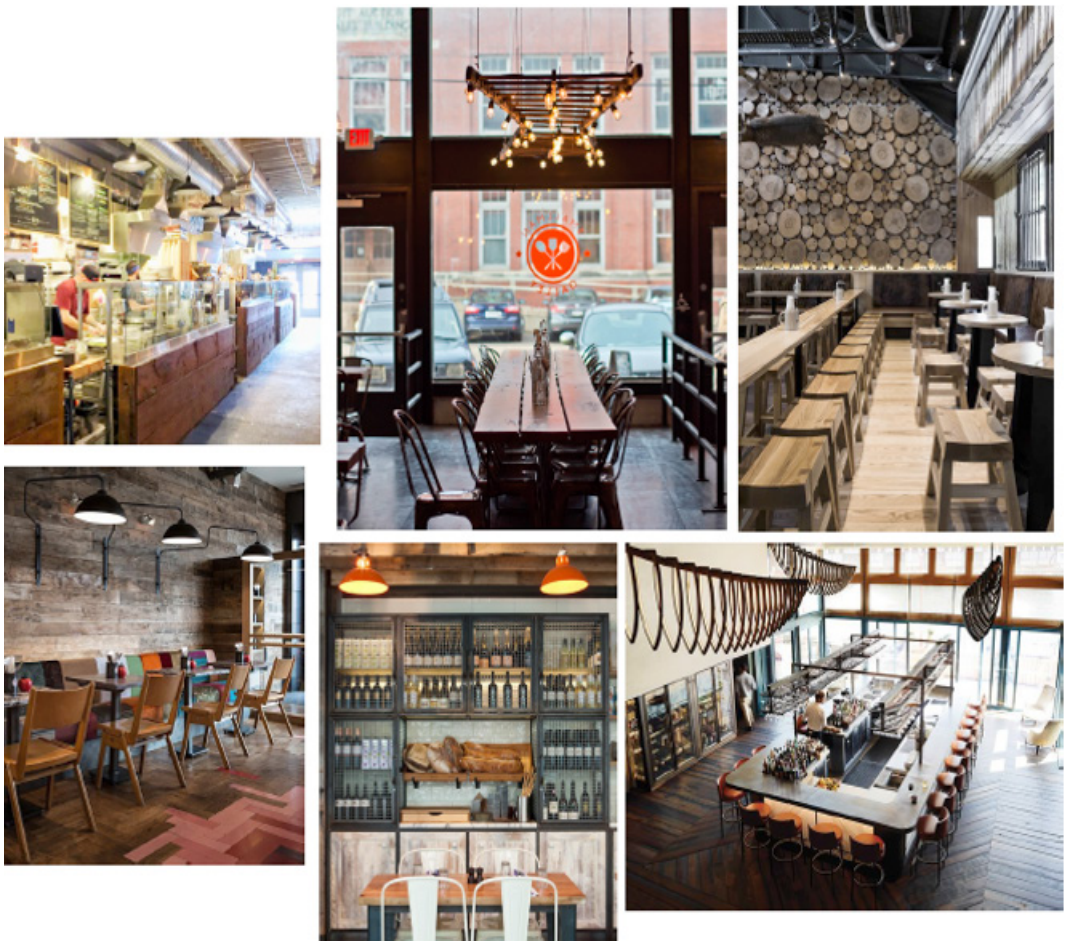

Brockton Culinary/Food Incubator Feasibility Study

June 28, 2017

Prepared by Ninigret Partners

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Brockton Culinary/Food Incubator is the result of ongoing efforts to implement Brockton's Downtown Action Strategy. The Downtown Action Strategy called for the creation of a co-working space and restaurant incubator to be located on Frederick Douglass Avenue. In addition, the city was interested in the potential for a culinary incubator that would support food businesses more broadly. With funding from Urban Agenda, and as a component of MassDevelopment's Transformative Development Initiative, the City took on a feasibility study and implementation plan to bring the idea to fruition.

The study evaluated market conditions, potential locations and considered best practices in evaluating the potential for these various incubators. During the process, based on interviews with potential stakeholders, it was determined that a culinary incubator may not have sufficient community support to help launch it so it was determined to no longer pursue that option. A co-working space concept was proposed by an outside group at approximately at the same time and therefore the co-working space was excluded from this analysis other than some high level market potential. Accordingly, a deeper dive was taken into the Restaurant Incubator concept including assessment of four potential sites - 15-25 Frederick Douglass Avenue, 60 Main Street (Trinity Enterprise Building), 53 Legion Way, and 275 Main Street. These sites were considered based on their identification in prior redevelopment initiatives or based on field work by the consultant team. The preferred site went through a concept development and high level design and a *pro forma* financial analysis to determine its viability.

The Study's concept calls for the creation of a 185 seat restaurant incubator with the potential for a pop-up "catering" kitchen and nanobrewery/distillery. This approach would create a restaurant incubator that provides a base of restaurant tenants to populate downtown Brockton, prove downtown as a market opportunity and serve as an anchor for a revitalized downtown.

The incubator would be built around individual cooking stations to allow chefs and new restaurant entrepreneurs to try new dining concepts, menu items and culinary presentations. The nanobrewery would allow home brewers and brewing aficionados to try different recipes and mixes for craft brew with the ability to sell and distribute through the incubator. This programing approach creates flexible, modular, scalable components as building blocks to a full program and facility for culinary or brewery operations. Therefore, the concept supports "prove the market" before committing to a major build-out and program development.

The incubator would be run by an experienced restaurant operator that brings forth menu design, training capacity, financial network and restaurant operations experience. It could be created and owned by a partnership of business, government and philanthropy.

The NP team studied the potential for a restaurant incubator at several sites in downtown Brockton.

Feasibility Findings

Location Analysis: Based on the building and locational analysis 60 Main St was considered the best option for further analysis due to its existing level of redevelopment and location. Two sites (15-25 Douglass and 53 Legion Way) required extensive rehabilitation to be brought to a point for conversion to a restaurant space. 275 Main was considered too far to serve as a catalyst for the downtown.

Market Analysis: The market analysis assumed the Incubator based on its design and unique dining experience would become a destination able to draw from a wider market area. The analysis revealed the greater Brockton market (20 minute drive-time) had $479 million in potential spending. Looking more closely at Brockton, on a city-wide basis $113 million of total estimated out of home food spending with an estimated $18 million in unmet demand existed. However, within walkable distance to downtown total market size was approximately $1.0 million to $1.4 million.

Development Costs: Development costs totaled approximately $3.3 million. This cost can be influenced by a number of variables including the level of finishing, the number of cooking stations and other related costs.

Incubator Revenue: The base case for the revenue analysis suggested stabilized annual revenue of approximately $2.5 million. The restaurant tenants generate profit levels of approximately $160,000. The Operator under the base case have profits of approximately $62,000.

Revenues are highly sensitive to customer volume and average meal price from customers. A table turn decrease, a measure of customer volume, from 1.5 to 1.0 leads to losses for the operator. Table turn increase from 1.0 to 2.0 leads to an increase in profit margins for the incubator (including operator and tenants) from $900,000 to $1.1 million. An increase in average check size by 11% takes profit margins from $900,000 up to almost $1.3 million.

Supportable Debt: Based on the estimated cash flow the facility could support approximately $609,000 in debt. Given the $3.3 million in development costs there is a substantial capital gap that would need to be addressed through grants, tenant allowances and other sources of capital.

National Benchmark Comparison: Comparing the projected performance to national benchmarks suggests the Incubator will perform at best at the mid-level in sales per seat.

Other Downtown Implications: Given the required performance and the disposable income of the present and foreseeable downtown residents, the incubator will be dependent on greater Brockton to generate the level of sales required to support the facility. This suggests that in addition to the Incubator, a series of other place-making initiatives and addressing perceptual issues such as safety will also need to be addressed.

Suggested Next Steps

While a full-scale culinary / restaurant incubator faces a number of challenges both in terms of launch as well as sustainability over the near term, there are a series of smaller, lower cost steps that Brockton could take including:

- **Outdoor dining options:**
  - o Parklets where sidewalk widths make sidewalk dining impractical
  - o Tables on infill sites adjacent to existing restaurants

- **Temporary utilization of existing physical space both buildings as well as vacant, underutilized lots through a combination of ideas including:**
  - o Pop up facilities such as beer gardens and/or BBQ pits
  - o Food trucks on empty lots or parking lots
  - o Container-based modular facilities that can be located on vacant lots.

These steps could help increase downtown's vibrancy and help prove the viability of downtown as a dining destination. It is recommended that Brockton consider implementing one or more of these tactics prior to undertaking the creation of an Incubator.

Examples of outdoor dining options (clockwise from top left): Parklet in New Haven CT, pop up beer garden in Fargo ND, food trucks in Portland OR and outdoor infill dining in Austin TX.

INTRODUCTION

BACKGROUND

The Culinary/Food Incubator is the result of ongoing efforts to implement Brockton's Downtown Action Strategy. The Downtown Action Strategy called for the creation of a co-working space and restaurant incubator to be located on Frederick Douglass Avenue. With funding from Urban Agenda, and as a component of MassDevelopment's Transformative Development Initiative, the City took on a feasibility study and implementation plan to bring the idea to fruition.

Ninigret Partners (NP) was hired in September 2016 to conduct a feasibility study and develop an implementation plan for a culinary incubator, restaurant incubator and co-working space. The NP team included Rustpoint Advisory (now part of Peregrine Group) and Libby Slader Design. Ninigret Partners (NP) is an economic consulting firm with extensive experience in downtown redevelopment strategies, incubator and accelerator models, and retail and restaurant development programs. Rustpoint Advisory was a real estate development consulting firm which has since merged with Peregrine Group, integrated real estate consulting and development company. Principal Eric Bush also served as the consultant for Hope and Main, the first culinary incubator in Rhode Island. He continues to serve as treasurer. In addition, he has been actively involved in retail and restaurant programming in his work for projects in downtown Providence and Mashpee Commons among others. Libby Slader Design is an award winning restaurant and office space design firm located in Providence RI brought on board to assist in understanding the potential configurations for a restaurant incubator.

The NP team studied the potential for a restaurant incubator at several sites in downtown Brockton. *Images from Google Earth.*

THE PROCESS

The original aim of this study was to evaluate the potential for three potential incubators: A culinary incubator designed to grow and support food businesses; a restaurant incubator to develop restaurant concepts to be housed in downtown Brockton, and a co-working space. These incubators were to be located in the city owned Frederick Douglass Building. The consultant team followed a multi-step process to conduct the assessment:

Interviews

Interviews were conducted to identify potential partners and determine interest and activity levels for the culinary incubator. However, obtaining interviews were more difficult than originally thought and the responses to the culinary incubator concept were tepid.

Market Analysis

Establishment creation trends by culinary industry category (catering, food trucks, food manufacturing, etc.) as well as Kickstarter activity was used to identify activity in the food business space. A retail spending gap analysis was conducted to understand the high level market potential for restaurant activity. Finally, consumer spending patterns based on travel time (walking and driving) were evaluated in addition to high level psychographic analysis (segmentation patterns based on lifestyle and spending patterns) to better understand the potential consumer base. Establishment creation and self-employment activity levels were considered for the co-working space. The findings of this analysis are available in the appendix.

Location Analysis

A tour of various buildings was conducted as well as several days of observation to understand activity patterns in the downtown. In addition, the Frederick Douglass building condition assessment was reviewed. The consulting team also conducted a walkshed and car navigation analysis to understand visibility and accessibility of various locations.

Best Practices Research

An evaluation of secondary research on best practices as well as site visits to several restaurant incubators were used to understand operations, size, and other dimensions such as place-making.

After the initial phase of research, a group came forward to the TDI Partnership expressing an interest in pursuing a co-working space in a different location. It was determined that this should no longer be part of this scope. The consulting team expressed concern that the Frederick Douglass building would have operational limitations as a culinary incubator primarily due to truck access, loading and unloading considerations as well as need substantial rehabilitation and an additional set of buildings should be considered. After a review of additional buildings within the TDI area, as well as the tepid response to the culinary incubator concept, from potential partners and stakeholders, the decision was made to focus on a more in-depth analysis of the restaurant incubator concept with the core TDI area. A potential may still exist for a culinary incubator but a broader look at available buildings across Brockton would be necessary.

FINDINGS

Several key findings led to the Test Kitchen Concept detailed in the Concept & Design chapter of this study.

The Location

Four sites in downtown Brockton were evaluated as potential restaurant incubator sites. While the Downtown Action Strategy identified 15-25 Frederick Douglass Avenue as the potential site this Feasibility Study found that accessibility, logistical and building rehabiliation requirements make the site difficult to redevelop as a restaurant incubator.

60 Main Street (Trinity Enterprise Building) is the most promising incubator site for several reasons:

- It would be the site with the fastest to launch ability;
- Major building renovation has occurred;
- Required infrastructure is in place (e.g. black pipe & venting access);
- Existing outdoor dining location; and
- Floor plans have been developed.

Location Analysis Summary

The sites analyzed for a potential incubator site: 15-25 Federick Douglass Avenue, 60 Main Street (Trinity Enterprise Building), 53 Legion Way, and 275 Main Street. These sites were considered based on their identification in prior redevelopment initiatives or based on field work by the consultant team. Eight criteria were used to assess the sites:

- **Visibility / accessibility**: visibility from major thoroughfares, ease of car navigation, pedestrian distances from off street parking
- **Seating capacity**: how many seats are possible assuming 60% space for seating; assuming 4 kitchen stalls
- **Utility space** (storage, prep): are there additional spaces to use for kitchen support to make core space geared to revenue generation
- **Ready-to-go infrastructure**: are necessary utilities in place?
- **Off street loading**: Can I unload off the street
- **Nearby parking**: Is parking available within line of sight? What type of parking is available? Surface lot? On street? Garage?
- **TDI/Street impact**: How much line of sight frontage is addressed? Does it improve the existing building quality? Does it have the potential to be catalytic
- **Nearby restaurant capacity**: Can a successful restaurant migrate to a nearby facility? Is it possible to create a dining destination with multiple facilities?

Figure 1 provides an overview of the results.

Figure 1: Site Comparison Results

CRITERIA	60 Main Street	53 Legion Parkway	15-25 Frederick Douglass Ave	275 Main Street*
Visibility/Accessibility	High	High	Medium	Medium
Seating Capacity	300	132	125	380
Utility Space	Yes	Unknown	Yes	Yes
Ready-to-go Infrastructure	Yes	Partial	No	No
Off Street Loading Potential	No	No	Minimal	No
Nearby Parking	Yes	Mixed	Mixed	Yes
TDI/Street Impact	Low	Low	Low	Low
Nearby Restaturant Capacity	Limited	Yes	Limited	Yes

*275 Main Street was eliminated as an option due to distance from new planned housing, smaller market, accessibility from the North and West. The site may have potential for a food business incubator.

The Market

Sales gap analysis suggests that there is enough economic potential to support a restaurant incubator. Figure 2 illustrates that city-wide there is $18 million more in demand than there is supply in the Full Service restaurant category (this excludes suburban expenditures).

Figure 2: Restaurant Sales Gap Analysis

Category	Demand	Supply	Gap
Total Food & Drink	$113.2 million	$111.4 million	$1.8 million
Full Service	$68.7 million	$50.7 million	$18 million
Limited Service	$38.7 million	$41.2 million	-$2.5 million
Bars/Drinking Places	$3.1 million	$6.2 million	-$3.1 million

However, what is also clear is the local walkable market has limited demand (see Figure 3). With the expanded housing of 427 new units at $50,000 median household income translates to approximately $2 million in additional outside food and beverage spending.

Figure 3: Walkable Market				
	Trinity	**Legion Way**	**Frederick Douglass**	**275 Main**
1/4 Mile Households	773	783	730	517
1/4 Miles Spending Capacity (Spend Gap)	$1.1 million ($2.2 million)	$1.3 million ($1.9 million)	$1.2 million ($2.8 million)	$979,000 ($2.7 million)

Expanding further out the drivable market substantially increases spending potential (see Figure 4). For example, at 5 minute and 10 minute drive times the market spend increases by 30 times with an estimated spending gap of up to $15 million. Accordingly, the importance of the visibility and accessibility of these locations described in the previous section becomes more evident when considering the market numbers.

Figure 4: Drivable Market				
	Trinity	**Legion Way**	**Frederick Douglass**	**275 Main**
5 Minute Households	11,382	12,032	12,032	12,652
5 Minute Spending Capacity (Spend Gap)	$31.8 million ($13.8 million)	$34.5 million ($11.1 million)	$34.5 million ($11.1 million)	$37.1 million ($15.3 million)
10 Minute Households	35,564	34,240	34.240	33,397
10 Minute Spending Capacity (Spend Gap)	$115.6 million ($22.5 million)	$115.9 million ($26.3 million)	$115.9 million ($26.3 million)	$111.9 million ($10.1 million)
20 Minute Households	100,301	99,175	99,175	99,553
20 Minute Spending Capacity (Spend Gap)	$429.7 million ($50.0 million)	$425.0 million ($42.3 million)	$425.0 million ($42.3 million)	$429.0 million ($39.8 million)

The driving and walking experience are also important to the restaurant's location.
Images from Google Earth.

Best Practices & Precedents

Research reveals that there are three basic restaurant incubator models. Figure 5 illustrates examples of each.

Figure 5: Restaurant Incubator Models

	Food Court/Common Area	Multi-concept "White Box"	Rotating/Pop Up
Example	Smallman Galley (Pittsburgh, PA)	Trinity Grove (Dallas, TX)	Misery Loves Company (Burlington, VT)
Kitchens	4 cooking stalls	17 single restaurant units	1 kitchen
Capacity	200 seats	Approx. 100 per unit including outdoors	25 seats
Key Model Design	• Located in existing restaurant area • Liquor license held by landlord • Wait staff works for landlord	• Designed as destination to drive residential development • Rent is equity plus low base rate and % of sales • Each restaurant has individual liquor license • Common area improvements	• Rent per use • Lets people try out running a restaurant for a weekend, • Serves as a test kitchen for existing chefs or rent for special events or small batch hobbyists
Governance	For profit owner	For profit owner/restaurant investor	• For profit owner; Facility is repositioning after 3 years as an incubator

The research revealed that in many cases these restaurant incubators and/or rotating chef models are driven by restaurant investors and/or real estate developers interesting in identifying investment opportunities. Because they have an aligned self-interest in the success of their tenants, they typically maintain an extensive tenant identification and development process, invest in place-making, and provide extensive operating and management support.

Targeted to home brewers, a nano brewery is legally licensed space with equipment for small batch brewing and an attached taproom that is licensed to serve and sell beer produced on the premise. Hopsters (Newton, MA) is on example of this approach.

CONCEPT & DESIGN

THE CONCEPT

This Study recommends the creation of a restaurant incubator with the potential for a pop-up "catering" kitchen and nanobrewery/distillery. This approach would create a restaurant incubator that provides a base of restaurant tenants to populate downtown Brockton, prove downtown as a market opportunity and serve as an anchor for a revitalized downtown.

The incubator would be built around individual cooking stations to allow chefs and new restaurant entrepreneurs to try new dining concepts, menu items and culinary presentations. The nanobrewery would allow home brewers and brewing aficionados to try different recipes and mixes for craft brew with the ability to sell and distribute through the incubator. This programing approach creates flexible, modular, scalable components as building blocks to a full program and facility for culinary or brewery operations. Therefore, the concept supports "prove the market" before committing to a major build-out and program development.

The incubator would be run by an experienced restaurant operator that brings forth menu design, training capacity, financial network and restaurant operations experience. It could be created and owned by a partnership of business, government and philanthropy.

Operating Assumptions: Restaurant incubator with the potential for a pop-up "catering" kitchen and nanobrewery/distillery. The following operating assumptions influenced the design:

1. Customer arrives at front door and is directed to one of test kitchens to order food, is handed a table tent so server can deliver food. Server will take beverage orders unless seated at the bar.
2. Long and narrow footprint provided the opportunity to create different zones within the space and draw the customers in.
3. Entrance from the street and the large front windows offers a great space for dining and activity in the windows can be viewed from the street.
4. Centralized bar will be a focal point in the space and is accessible from all areas, including the exterior.
5. As space widens the test kitchens and beer brewing equipment draw people back into the space and provides adequate circulation space for customers.
6. Back prep kitchen area provides easy access to the basement and loading dock areas.
7. Restrooms are located in the basement, due to the fixtures required per code. Locating the restrooms on the basement floor allows for more space on the first floor for the dining and kitchen area.
8. Access to the basement level is provided via a new central stair and an elevator lift that stops at the stair to the patio and the basement level. There is also space available in the basement for a private function area (400sq ft) that is expandable.
9. New 2nd egress could be added if necessary. This should be included in the master lease negotiations.
10. Kitchen area will have walk ins, prep area and storage. An office, separate employee restroom and locker area has also been provided. Delivery areas would be available on both the first floor via the back loading dock and the basement area via the back stair.
11. The floorplan designs allow for flexibility to easily convert the 1st floor and basement back to a conventional single user restaurant model.

Figures 6-7 illustrate the floor plans for the first floor and basement of the proposed facility in the 60 Main Street space (see following pages). The design features:

- 4 cooking station,
- 27 seat bar,
- 8 nanobrew barrel,
- Prep kitchen area,
- 80 indoor seats, and
- 78 exterior seats.

Figure 8 presents present examples of the types of spaces that could be created through the proposed incubator design.

Figure 8:
Schematic Imagery

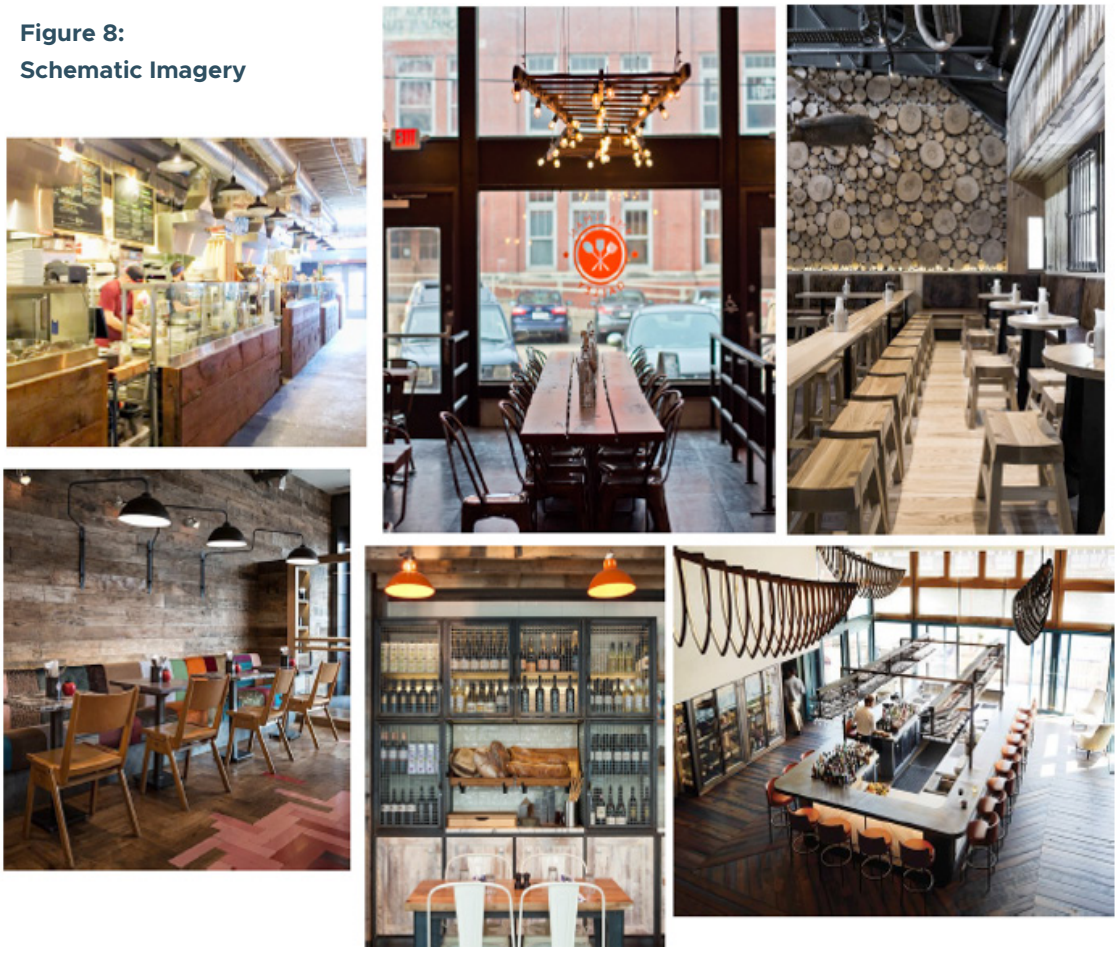
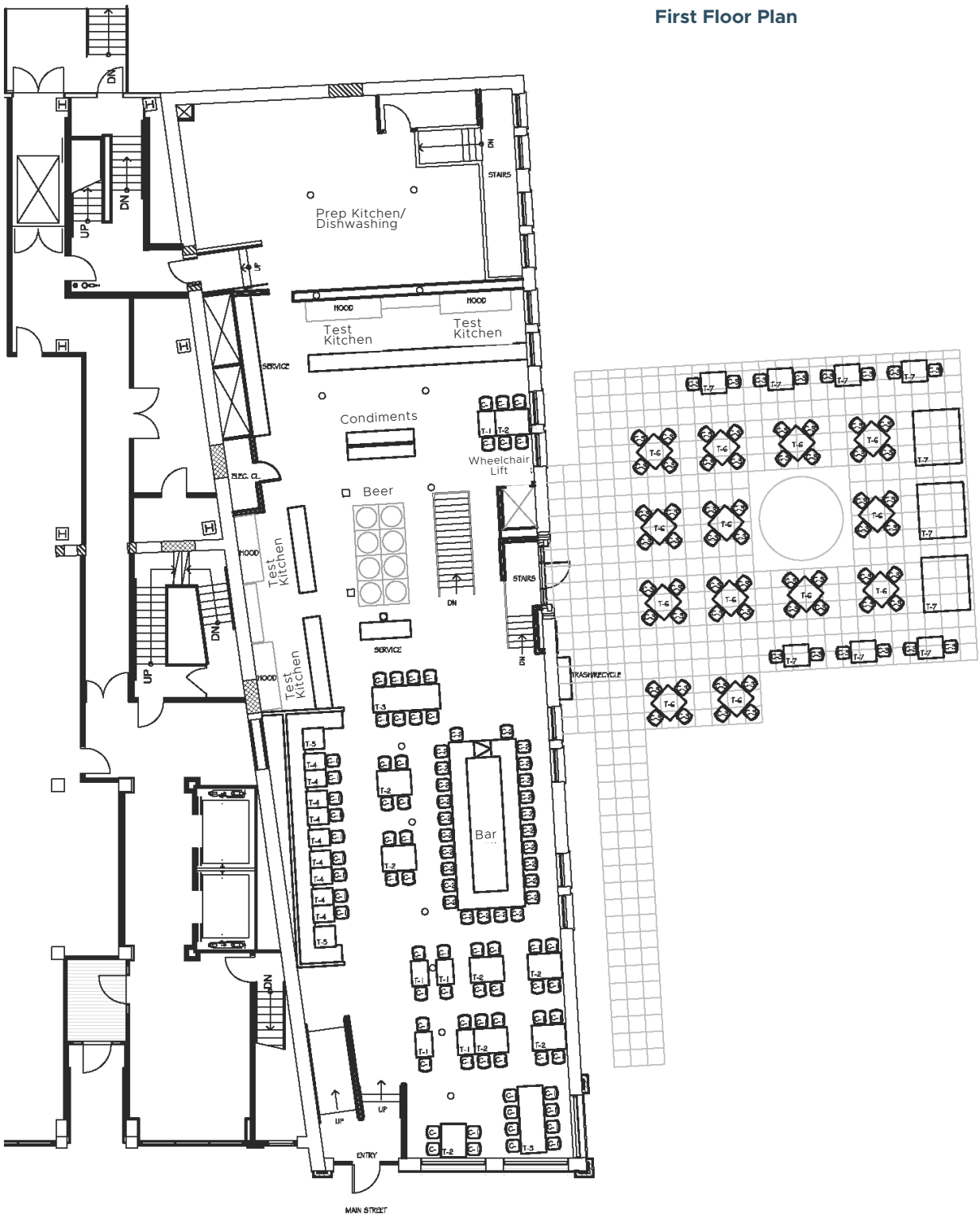


Figure 6:
First Floor Plan



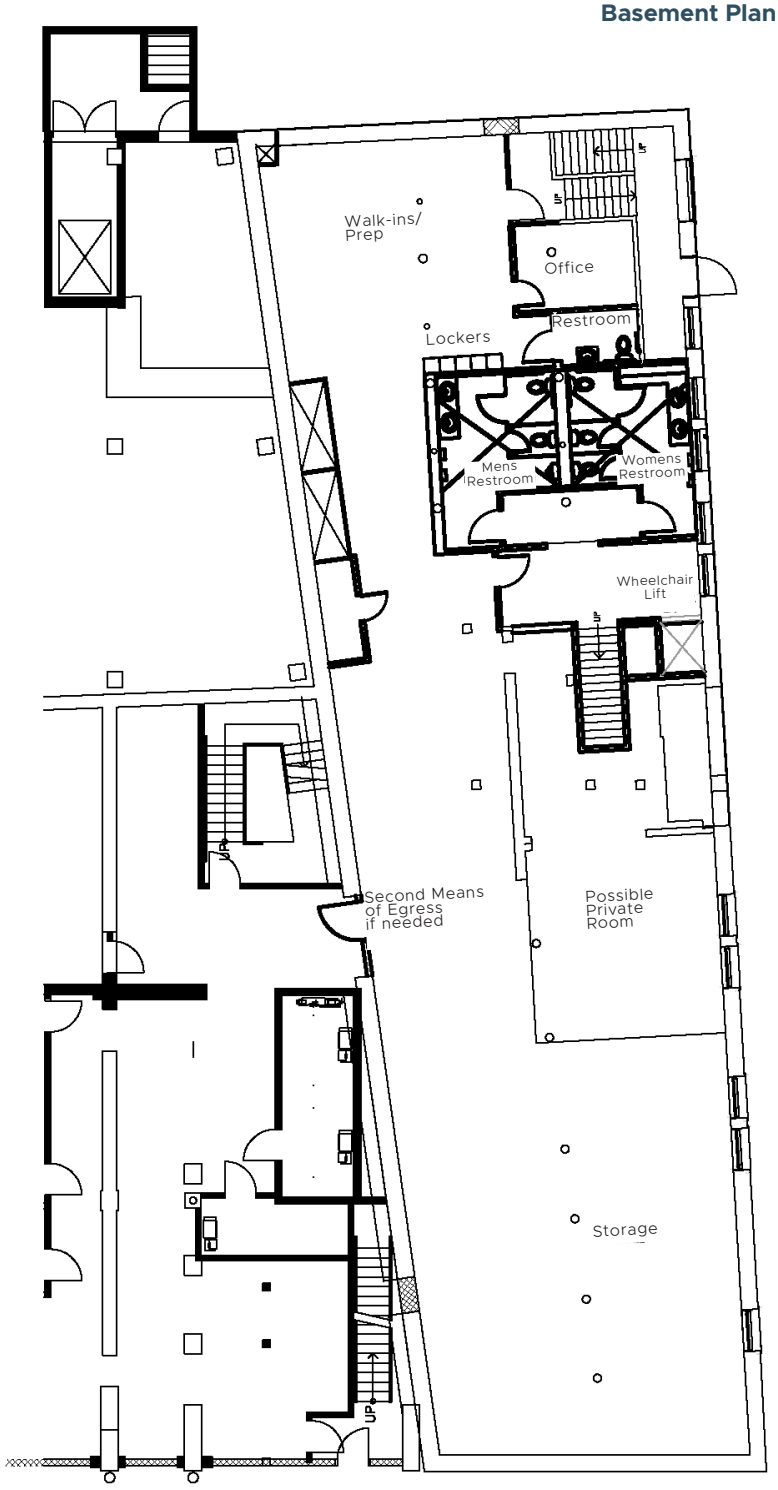
2 FLOOR PLAN- MAIN LEVEL

SCALE: 1/16" = 1'-0"

DATE: 1/3/17

LIBBY SLADER
INTERIOR DESIGN

Figure 7:
Basement Plan



1 FLOOR PLAN- LOWER LEVEL

SCALE: 1/16" = 1'-0"

DATE: 1/3/17

LIBBY SLADER
INTERIOR DESIGN

FINANCIALS

FINANCIALS

A financial assessment was prepared for 60 Main Street based on the design illustrated above. It should be noted that there are a number of "known unknowns" at this time such as sources of capital, actual leasing terms, absorption of onboarding costs, financial reserves, actual basic renovation costs, tenant turnover and vacancy. The capital requirements assumptions used are based on the experience of the team in actual built projects. The operating revenue and expense projections reflect stabilized operations (i.e., consistent income/expense after initial launch) to help understand the operating economics of an ongoing concern. These are estimates and should be considered as such.

The basic program is 8,714 square feet with a total of 185 seats. 42% of the seats are outdoor. There is the potential for a downstairs event space. Figure 9 illustrates the program and seat breakdown.

Figure 9: Program & Seats

Square Footage , Total	**8,714**
First Floor	4,357
Basement Floor	4,357
Seats, Total	**185**
Bar	27
Interior	80
Exterior	78
Potential for event space on lower level	TBD

Interior of 60 Main Street.

Capital Requirements

Total initial capital is estimated at approximately $3.3 million or roughly $382 per square foot. Figure 10 illustrates the estimated capital requirements for the incubator at full build-out. The major driver of capital is the basic renovation costs which do not include fire wall separation in the ceiling and leveling of the floors. It is important to note that it also does not include any operating reserves or startup costs. These are likely to be part of the operator negotiations. Details are available in the appendix.

Figure 10: Capital Budget

Building & Site Basic Renovation Costs*	$2,614,200
Basic Renovation Cost Per Square Foot	$300

Incubator Specific Renovation Costs	**Total Cost**	**% of Total Cost**
Kitchen Equipment	$219,000	
Freight, Connections (e.g. plumbing, electrical, start-up)	$40,400	
Small Wares	$40,000	
Architectural & Engineering	$133,710	5%
Marketing & Leasing Arrangements	$28,332	1%
Legal, Organizational, Licensing & Professional	$92,897	3.5%
Operating Reserve, Start-up Costs**	$O	
Contingency	$96,856	3%
Total Incubator Renovation Costs	$3,325,395	
Basic Renovation & Incubator Cost Per Square Foot	$382	

*The Appendix includes Detailed Financials, which includes the costs related to the base level renovations necessary for the building.

** Costs associated with tenant selection, onboarding and reserves to be determined. Who carries and how much in operator discussions.

Operating Assumptions

A critical element of understanding the operating performance is an estimate of the seat turns and average check size for the incubator. Seat turns in its simplest sense is the number of times a seat is utilized by new diners. Average check size is the average amount spent at each turn. Multiplying the two variables generates estimated revenue. The bar related revenues are separated because of the uncertainty of to whom those revenues will be allocated. Take-out orders are accounted for in the 1.5 turns.

In addition to a base case, a sensitivity analysis was performed. Sensitivity analysis helps provide insight into the role various variables make in changing the results. Figure 11 illustrates key revenue assumptions on a stabilized basis:

Figure 11: Average Meal Spending

Average Spend	Base	High
Breakfast	$7.50	
Lunch	$12.00	$14.00
Dinner	$18.00	$20.00
Bar	$12.00	$18.00
Turns	1.5x	2.0x

Sales were then assessed, differentiated for peak day, peak month, and level of utilization (see Figures 12 and 13).

Figure 12: Peak Sales (includes outdoor seating)
Baseline: 1.5 turns at high demand

	Incubees				Incubator
Max Customers/Seats	Breakfast	Lunch	Dinner (incl. bar seats)	Total Food	Bar
Monday		158	185	343	185
Tuesday		158	185	343	185
Wednesday		158	185	343	185
Thursday		237	278	515	278
Friday		237	278	515	278
Saturday	158	237	278	673	278
Sunday	158	237	278	673	278
Max Sales					
Monday	$0	$1,896	$3,330	$5,226	$2,220
Tuesday	$0	$1,896	$3,330	$5,226	$2,220
Wednesday	$0	$1,896	$3,330	$5,226	$2,220
Thursday	$0	$2,844	$4,995	$7,839	$3,330
Friday	$0	$2,844	$4,995	$7,839	$3,330
Saturday	$1,185	$2,844	$4,995	$9,024	$3,330
Sunday	$1,185	$2,844	$4,995	$9,024	$3,330
Total Sales				$49,404	$19,980

Figure 13: Sales - Monthly/Annual (note: 42% of seats are outside)
Stabilized Year

		January	February	March	April
Food Service Incubees	Seat Utilization	50%	50%	60%	65%
	Sales	$106,960	$106,960	$128,352	$139,048
Bar Incubator	Seat Utilization	50%	50%	60%	65%
	Sales	$43,257	$43,257	$51,908	$56,234
		May	**June**	**July**	**August**
Food Service Incubees	Seat Utilization	70%	80%	80%	80%
	Sales	$149,744	$171,135	$171,135	$171,135
Bar Incubator	Seat Utilization	70%	80%	80%	80%
	Sales	$60,559	$69,211	$69,211	$69,211
		September	**October**	**November**	**December**
Food Service Incubees	Seat Utilization	80%	80%	65%	65%
	Sales	$171,135	$171,135	$139,048	$139,048
Bar Incubator	Seat Utilization	80%	80%	65%	65%
	Sales	$69,211	$69,211	$56,234	$56,234

Using the baseline assumptions of 1.5 table turns, the average meal spend identified earlier, and assuming seat utilization rate that is adusted for the seasonal change, total revenues equal approximately $2.5 million. Approximately $1.8 million is from food services.

In addition, Cost of Goods Sold (COGS) and operating expenses were generated based on industry benchmarks (see the appendix for details) to assess viability. Operating cash flow was estimated for the incubees and the operator. Total incubee revenues equal approximately $1.7 million. Earnings before interest, depreciation and taxes (EBITDA) totals approximately $640k (see Figure 14). This equals approximately $160,000 per incubated restaurant, however, menu selection and food costs will have a major impact on these results.

Figure 14: Incubator Tenant "Profit" Estimates

Incubee Revenues		
Food Service Total Annual Sales		$1,764,834
Incubee Operating Expenses		
Costs of Goods Sold	34%	($595,632)
Labor	25%	($441,209)
Other Administrative	5%	($88,242)
Annual Estimation of Profit for Incubees		**$639,242**

For the incubator operator, profits are tighter (see Figure 15). On nearly a $1 million revenue base the EBITDA equals roughly $62,000 or approximately 6%. The bar is absolutely critical under this model because it generates $506,000 in contribution margin (bar revenue – COGs). Note this excludes any event space rental revenue and the rent assumption is not based on any discussions.

Figure 15: Approximation of Cash Flow for Incubator Operator Facility		
Incubator Revenues		
Bar, Total Annual Sales		$713,736
Contribution from Incubees, as % of Profit	30%	$191,926
Total Incubator Revenue		$905,661
Incubator Operator Expense		
Costs of Goods Sold, Bar	29%	($206,983)
Direct Operating Costs (see p. 35 appendix)		($173,500)
General & Administrative (see p. 35 appendix)		($148,714)
Labor (see p. 35 appendix)		($174,900)
Reserves for Replacement (e.g equipment)	$2.00	($17,428)
		($721,525)
Real Estate/Facility Related		
Rent Assumption (per SF)	$10.00	($87,140)
Tenant Electric(per SF)	$2.00	($17,428)
Other CAM (per SF)	$2.00	($17,428)
		($121,996)
Total Annual Expense for Incubator Facility		**($843,521)**
Annual Estimation of Profit for Incubator		**$62,140**

Based upon estimated cash flow the project can support $609,000 in debt. A key question that could impact the incubator operator's profit level is whether they would be responsible for debt service. Part of this question depends on who is responsible for tenant improvements and building fit out - the operator, the building owner, or the master lease holder.

Sensitivity Analysis

The sensitivity analysis (see appendix) conducted for this project found several key items worth noting. With only 1 turn the incubator loses money, approximately $21,000. The other key item is that higher average spending particularly at the bar (assuming the incubator owns and operates the bar) is worth more to the incubator than increased table turns. Two turns generate $1.1 million in additional revenue. Increased average bar spend equals almost $1.3 million. However EBITDA profits increase from a $146,000 to $264,000 with a margin increase from 13% to 21%.

Figure 16: Sensitivity Analysis Summary				
Approximation of Cash Flow for Incubator Facility	**Baseline Key Assumptions**	**Less turns at high demand**	**More turns at high demand**	**Higher average bills**
Total Capital Budget	$3,325,395			
# of Turns at High Demand	1.5	1.00	2.00	
Average Meal Spending - Lunch	$12.00			$14.00
Average Meal Spending - Dinner	$18.00			$20.00
Average Meal Spending - Bar	$12.00			$18.00
Incubator Revenues				
Total Annual Sales, Bar	$713,736	$555,128	$872,343	$1,070,603
Contribution from Incubees, as % of Profits (30%)	$191,926	$151,322	$232,530	$215,911

Plausibility

Plausibility assesses the projected economics on to the market estimates to understand what the relative performance and capture rate needs to be to hit the targets. It also compares them to industry benchmarks to determine if the assumptions are out of line.

For the incubator to hit the revenue assumptions compared to estimated spending potential:

- Requires capturing 2% of the city of Brockton spending potential
- Equals 14% of the estimated gap in full service restaurants in Brockton
- Requires 30% capture of the walkable market (1/2 mile = $6.2m) plus the prospective new units
- Requires pulling .006% of the greater Brockton market (20min drive)
- Equals 5% of the estimated gap ($50m) in full service restaurants in greater Brockton

Projections Compared to Reported Benchmarks:

- Compared to Smallman Galley reported low level performance benchmark:
    - Smallman restaurant low per seat annual revenue: $10,140 (Smallman average is $11,830)
    - Brockton restaurant incubator per seat stabilized annual revenue: $11,169

Based on National Restaurant Association benchmarks these are in the mid to lower quartile of per seat performance.

Our small market research indicates that full service restaurants that can capture between 15 and 25 percent are not atypical. Based on the relative lack of full service restaurant capacity in Brockton, the capture rates do not seem out of line but new full service restaurants would likely cut into those capture rates. Moreeover, the per seat performance is within the range of mid to lower quartile national benchmarks.

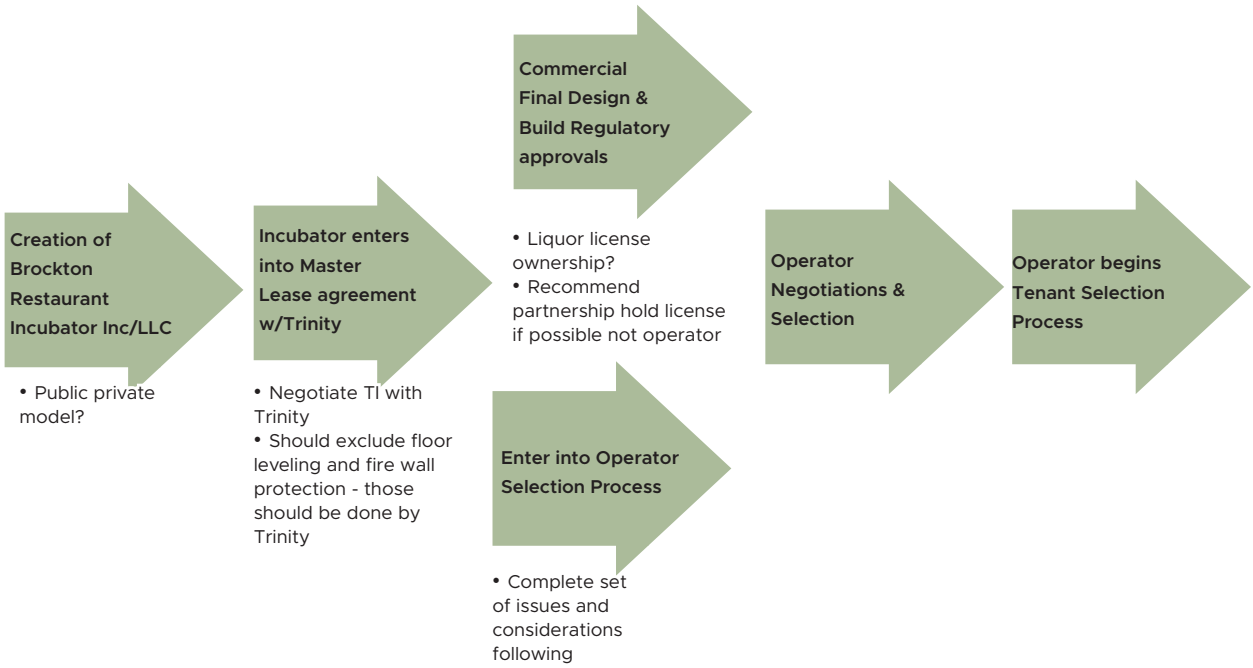
Under our current assumptions the project can support $609,000 in debt. If the number of table turns are lower, 1.0 turns instead of 1.5 turns, the project cannot support any debt. However, with more table turns than projected or higher average check size, the project can support $1.4 and $2.6 million in debt respectively.

IMPLEMENTATION

CRITICAL PATH & KEY MILESTONES

There are a number of important steps to bring the restaurant incubator to market. Figure 17 illustrates the critical path and some key elements for consideration for each in order to implement the incubator.

Figure 17: Critical Path & Key Milestones



The critical first step is the creation of the corporate entity that will "own" the incubator. The most likely solution is a public-private model that has the ability to blend different financial resources. It may need to explore tax-exempt status to be eligible for direct foundation grants and federal support.

This entity would then need to enter into a master lease agreement with Trinity and discuss tenant improvements. The team noted the required floor leveling and firewall protection should be done by Trinity since these are permanent improvements. The remainder of tenant improvements should be negotiated and include items such as the proposed central stairwell to get better utilization of the basement. Once these negotiations have concluded the Entity should begin final design and regulatory approvals.

In terms of regulatory approvals, one of the key questions will be liquor license ownership. Based on a preliminary review of the liquor license requirement there does not appear to be an issue with the nanobrewery concept, however, the exact licensing requirement is not clear given the mix bar, brewery, victualler approach of the incubator.

Outdoor dining is also another important consideration. Health department approval is required. Outdoor dining is a critical component of the incubator. It represents 42% of dining capacity and in peak months could represent a 33% increase in sales activity over a March benchmark.

Operator Selection Process

In parallel to the design and regulatory process an operator selection process needs to occur. While the initial thought was a Request for Proposals (RFP) process to find an operator further research indicated that a Request for Information/Request for Qualifications (RFI/Q) type process may make more sense given the potential differences in operator requirements and approaches.

A number of issues will likely need to be negotiated including:

- Liquor revenues,
- Base rent approach / "stop-loss" support,
- Operating model,
- Tenant selection,
- Training and support capability, and
- Launch / migration support of restaurants.

Therefore, the elements of an RFI/Q would include questions concerning the items:

Recruitment and selection processes for tenants:

- How will they select tenants?
- What will be the requirements in terms of financial capacity, experience, talent?
- Will they support inexperienced prospects (will the partnership require support for at least one inexperienced prospect?)
- Will they be tenants for a term?
- Will they allow pop ups?

Support capabilities for tenants (does the operator bring along an experienced "ecosystem?") including:

- Marketing support
- Menu creation and food cost management
- Food safety training
- Capital sources (debt and equity) to support migration of restaurants
- Do they have a bank lending relationship that facilitates capital support?
- Migration facility support – can they help develop additional restaurant spaces so incubator tenants can migrate to new locations within the community?
- Suppliers – can they help tenants get access to suppliers ?
- Training and business advice / support – do they have the capacity to mentor and advise?
- Tenant bookkeeping requirements?

Financial model with "owner":

- Is it the equivalent of a triple net?
- TI from master leaseholder to operator
- Launch and onboarding expenses of each class, whose responsibility?
- Facility operating losses – stop loss approach?
- Tenant changeover costs
- Revenue claims (e.g. alcohol revenues, tenant revenues, event revenues)

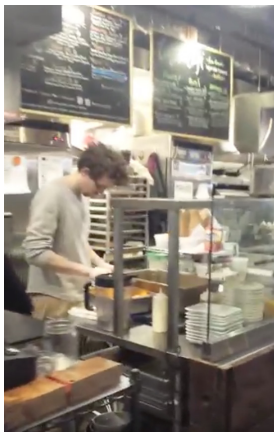
Financial approach with tenants:

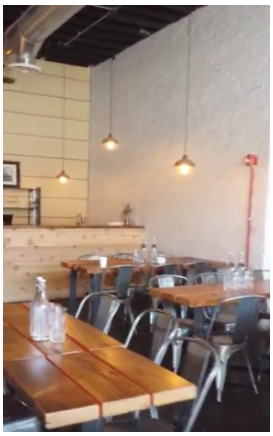
- % of revenues, fixed monthly rent, mix?
- How does this relate to build out and tenant development costs?
- Staffing particularly wait and cleaning staff
- Incubator term?
- Ownership interests in tenants?
- Next facility lease requirements for tenants? (locked into an operator facility or flexibility in site selection)

Smallman Galley Example

Smallman Galley offers a useful tenant selection example. It utilizes a multi-step selection process. First, it has an application process (complete version in the Appendi). The application covers concept, key culinary experiences & influences as well as dealing with the public experience ability to provide two months working capital. Semi-finalists are interviewed by a panel and then there is a cook off for the top 8 candidates. The top 4 are selected for a 12-month enrollment.

Smallman Galley offers a useful example of support capabilities as well. Smallman Galley's goal is to transition incubees into new facilities 18 months after starting at Smallman. Smallman has financing and development network in place to assist in transition. Among their lending partners include public agencies (Urban Redevelopment Authority) and non profit SBA / CDFI lenders (Bridgeway Capital). Smallman uses a restaurant group as management advisors, also provides an online training resource http://www.learnfirstcourse.com/ to provide basic food business training.





Restaurant Development Program

Unless a developer / operator team can be brought into this project that brings all the elements described in the RFI/Q approach, a comprehensive restaurant development program needs to be created. This program consists of 7 key elements (Figure 18) with tenant development at its core (clockwise from the top). The color codes provide examples of potential division of labor between an operator and the Partnership.

Space Development – Migration: The ability to move restauranteurs into new expansion space in a timely and cost effective manner.

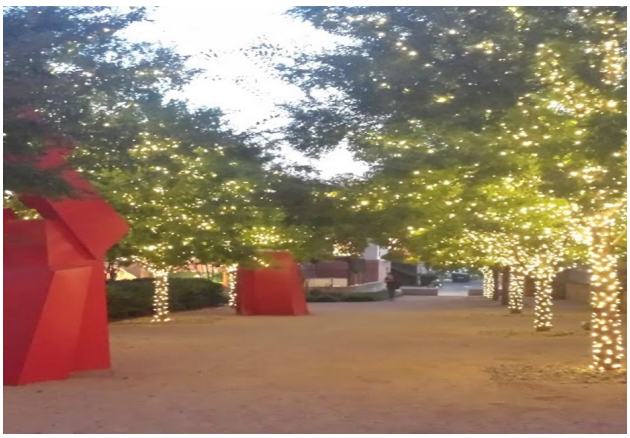
Financing Assistance: Banking relationships or lending programs such as CDBG 108 loans (see Springfield MA recent new program) that reduce the transaction related costs and time to find financial resources to support expansion.

Marketing Support: Helping promote the restaurant scene through a combination of events and targeted advertising to build the consumer market. This also includes targeted recruitment of established restauranteurs and marketing activity with brokers.

Customer Experience / Place-making: Dining out is increasingly seen as a form of entertainment. The experiential part of dining occurs not only in the restaurant but also from its surroundings. Given the importance of the external market to this endeavor in Brockton, particular emphasis needs to be placed here with first consideration being given to the key car and pedestrian corridors.

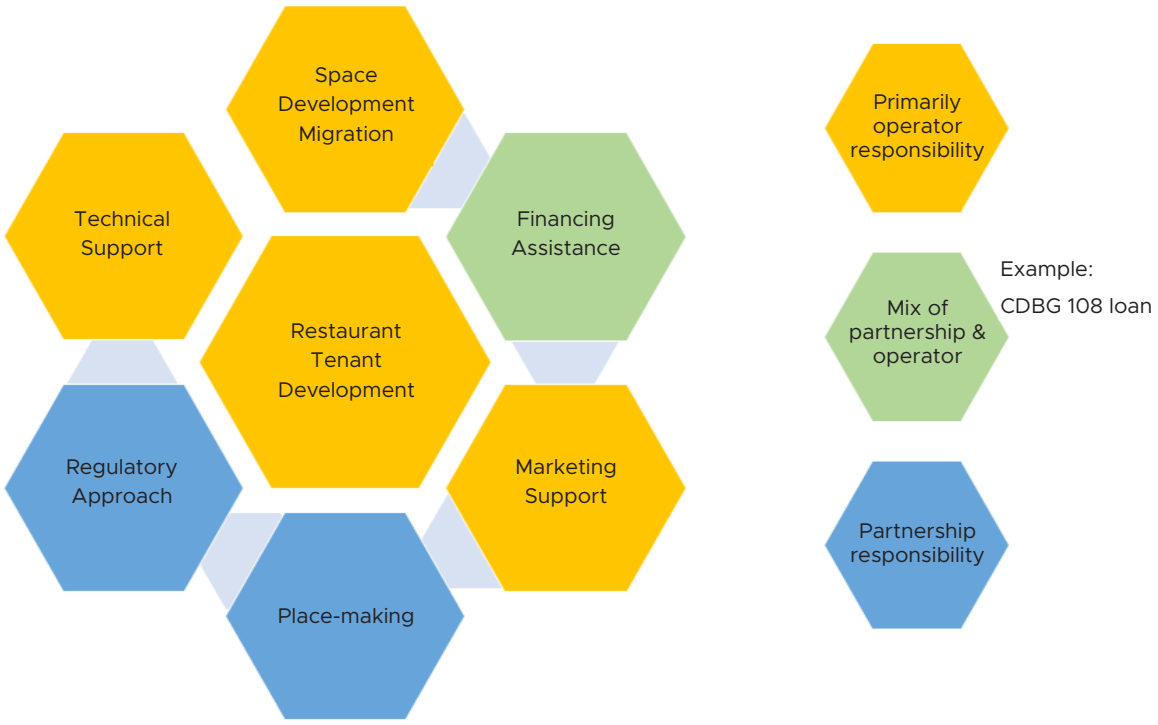
Regulatory Approach: The requirements and limitations on items ranging from vent placement, outdoor dining licensing requirements, and ease of getting permits can impact the level of restaurant activity. Potential action items include greater clarity on outdoor dining as well as a single restaurant application covering all major permitting areas.

Technical Support: Restaurants have a high failure rate. Programs to help support and mentor newly launched restaurants by linking them to experienced restaurant operators and educational services can help to manage the attrition.



Placemaking is an essential part of attracting potential restaurant goers to downtown Brockton. The images here illustrate the kinds of amenites that can be made to create a more vibrant experience for potential restaurant goers. *Images of Trinity Grove in Dallas, TX*

Figure 18: Development Program Model



Final Observations

The key success and risk factors for the restaurant incubator based on the findings of this Study are:

Key Success Factors

- Operator with strong management and development skills and aligned financial interests for tenant development
- Long term definition of success of tenant development and driving downtown activity versus financial return for partnership
- Quality "inside the restaurant" experience to overcome external getting to restaurant perceptions
- Well positioned menus and excellent food quality
- Entrepreneur selection process and support infrastructure
- Continued transformation of downtown Brockton

Key Risk Factors

- On-site operator quality
- Sustaining activity after initial surge of potential tenants and customers trying something new
- Perception of downtown Brockton creates a barrier for external market
- Menu and price point misses
- Downtown housing projects do not reach the anticipated scale and timeframes
- Additional investments to transform the "downtown experience" do not occur (e.g. safety improvements, streetscaping, facade improvements)
- Remainder of required restaurant "ecosystem" investments do not occur such as new spaces and capital sources

Based on these factors the following include important observations about the potential for a restaurant incubator in downtown Brockton:

- The project is not a “no brainer” either pro or con.
- The incubator represents a fraction of the total spending capacity in the area.
- Restaurant and bar sales assumptions are conservative but downtown Brockton is a market to be proven.
- Its operator margins could be very thin and will be dependent on liquor sales.
- It also has some potential vulnerability to weather since outdoor seating is a major component of its revenue generating capacity.
- The financial carry of the facility while reaching stability is an important issue.
- It may need to have a mixed model of a test kitchen for proven restauranteurs who want to test Brockton before going in with a major investment and can pay some additional rent, short term pop up restaurants, as well as start up restauranteurs – this would part of the negotiation process with the operator.
- Physical and visual improvement of the downtown Brockton experience also need to be considered because at least in the near term the outside market will be required – this could be the critical piece to its initial success or failure.

The Smallman Street Redevelopment (Pittsburgh, PA) offers additional examples of potential streetscape improvements to make an area more attractive.

Images courtesy of Stoss.

Interim Next Steps

While a full-scale culinary restaurant incubator faces a number of challenges, both in terms of launch as well as sustainability over the near term, there is a series of potential smaller steps that Brockton could take to help increase the downtown's vibrancy as well as help prove the viability of downtown dining in Brockton.

Below are a series of images to demonstrate the range of potential low cost, interim solutions that address a number of issues including:

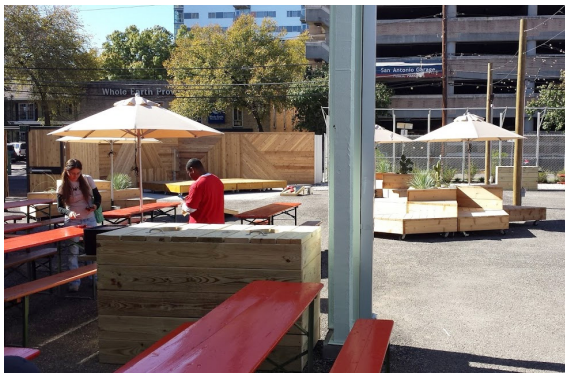
- Outdoor dining options when sidewalks may be too narrow;
- Temporary utilization of existing physical space; and
- "Fixed" venues to provide infill on vacant lots.

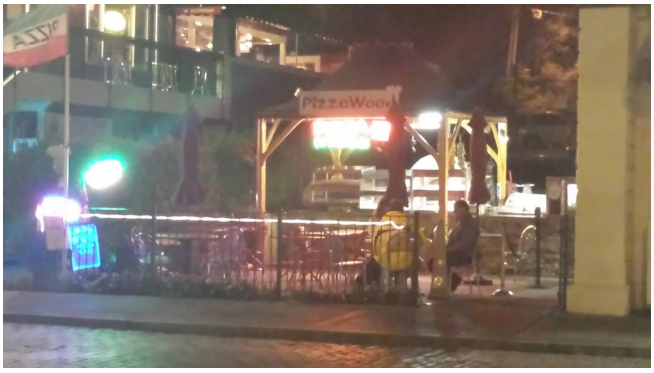
Outdoor dining options

Parklets where sidewalk widths make sidewalk dining impractical.

Parklets in
New Haven CT
&
Park City UT

Infill Outdoor Dining puts dining areas on infill sites next to existing restaurants.





A variety of infill outdoor dining options. Starting from top and moving counterclockwise: Austin TX (2 examples), Newport RI. Macon GA, and Pittsburgh PA (2 examples).

Temporary utilization of existing space, both buildings and vacant or underutilized lots

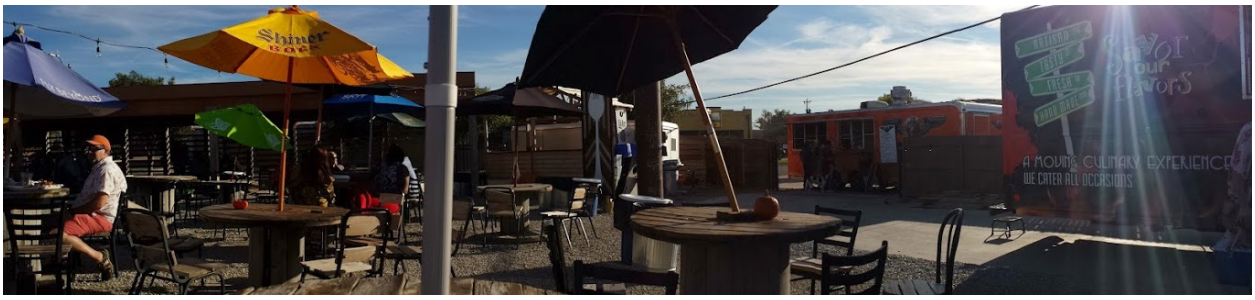
Pop Up retail such as beer gardens or BBQ pits

Beer Garden in Fargo, ND

"Fixed" venues to provide infill

Pittsburgh PA

Memory Mania - Sandusky Bay OH



BLEU Garden - Oklahoma City, OK

Food Trucks on empty lots or parking lots

Food trucks in New Haven CT and Portland OR

Container-based modular facilities that can be located on vacant lots

This container building in Oklahoma City OK houses a bank on the first floor and coffee shop on the second floor.

For additional examples of container based solutions see https://www.pinterest.com/mata5236/container-cafe-mobile-eatery/

APPENDIX

APPENDIX

DETAILED FINANCIALS

working draft

Brockton Restaurant Incubator **2/1/2017**

PROGRAM & CAPITAL BUDGET

Address:	60 Main Street Brockton, MA
Building:	Enterprise
Scope:	Tenant Fit-out, Equipment, Operations
Date of Floor Plan:	1.3.2017 L.S.I.D.

Program		
Square Footage		
Lower Level:	4,357	
First Floor:	4,357	
	8,714	SF

Seats		
Bar Seats:	27	
Interior:	80	
Exterior:	78	
	185	Seats
Potential for private event space in lower level		

Capital Budget			
Building & Site | Cost Per SF*:	$300.00		* in 'Notes'
	$2,614,200		
Furniture	$60,000		
Kitchen Equipment	$219,000		TriMark | 1.23
Freight, connections (plumbing, electr, start-up).	$40,400		TriMark | 1.23
Small Wares	$40,000		
Architectural & Engineering	$133,710	5%	
Marketing & Leasing Agreements	$28,332	1%	
Legal, Organizational, Licensing & Professional	$92,897	3.5%	
Operating Reserve | Start-up Costs	$0		
Contingency	$96,856	3%	
	$3,325,395	**	
	$382	PSF	

** Clarification on whether the landlord will be providing the following is recommended:

1. Leveling of the first floor and basement sub floor.
2. A fire separation in the ceiling from the first and second floors.

Brockton Restaurant Incubator **2/1/2017**

ESTIMATION OF TOTAL REVENUE FROM DINING/INCUBEES

Average Meal Spending:				
Breakfast	$7.50			
Lunch	$12.00	not incl alcohol/bar sales		
Dinner	$18.00	not incl alcohol/bar sales		
			Bar [incl. bar sales to tables]	$12.00

baseline: 1.5 turns at high demand — baseline: 1.5 turns at high demand

Peak Sales [includes outdoor seating]:						
		----- INCUBEES -------			------ INCUBATOR ----------	
Max Customers/Seats	Breakfast	Lunch	Dinner (incl. bar seats)		Bar	
Monday		158	185	343	185	
Tuesday		158	185	343	185	
Wednesday		158	185	343	185	
Thursday		237	278	515	278	
Friday		237	278	515	278	
Saturday	158	237	278	673	278	
Sunday	158	237	278	673	278	
Max Sales						
Monday	$0	$1,896	$3,330	$5,226	$2,220	
Tuesday	$0	$1,896	$3,330	$5,226	$2,220	
Wednesday	$0	$1,896	$3,330	$5,226	$2,220	
Thursday	$0	$2,844	$4,995	$7,839	$3,330	
Friday	$0	$2,844	$4,995	$7,839	$3,330	
Saturday	$1,185	$2,844	$4,995	$9,024	$3,330	
Sunday	$1,185	$2,844	$4,995	$9,024	$3,330	
			Total | Food Service	$49,404	Total | Bar	$19,980

Sales [Monthly/Annual]: [note: 42% of seats are outside]						
Stabilized Year					Weeks/Month	
	Jan	Feb	Mar	Apr	4.33	
Food Service | INCUBEES	50%	50%	60%	65%		
	$106,960	$106,960	$128,352	$139,048		
Bar | INCUBATOR	50%	50%	60%	65%		
	$43,257	$43,257	$51,908	$56,234		
	May	Jun	Jul	Aug		
Food Service | INCUBEES	70%	80%	80%	80%		
	$149,744	$171,135	$171,135	$171,135		
Bar | INCUBATOR	70%	80%	80%	80%		
	$60,559	$69,211	$69,211	$69,211		
	Sep	Oct	Nov	Dec		
Food Service | INCUBEES	80%	80%	65%	65%	Food Service	$1,764,834
	$171,135	$171,135	$139,048	$139,048	Bar	$713,736
Bar | INCUBATOR	80%	80%	65%	65%	Total Annual Sales	$2,478,570
	$69,211	$69,211	$56,234	$56,234		OK

Cost of Goods Sold:							
	Sales (%)	COGS (%)	Weighted (%)		Sales ($)	COGS ($)	
Food	95%	35%	33%		$1,676,593	$586,807	
N/A Beverage	5%	10%	1%		$88,242	$8,824	
	100%			INCUBEES	$1,764,834	$595,632	34%
Liquor	20%	30%	6%		$142,747	$42,824	
Beer	50%	25%	13%		$356,868	$89,217	
Wine	30%	35%	11%		$214,121	$74,942	
	100%			INCUBATOR	$713,736	$206,983	29%
					Weighted Average	32%	
						OK	

Brockton Restaurant Incubator **2/1/2017**

ESTIMATION OF FACILITY/INCUBATOR OPERATING EXPENSES

Functional Operating Expenses	Estimated as % of Sales		
Direct	7.0%	$173,500	
Linens			
Cleaning Service			
Menu Printing			
Pest Control			
Paper & Disosables			
Dry Goods			
Kitchen Supplies			
Trash & Recycling			
General & Administrative	6.0%	$148,714	
Reservation Systems			
POS, Bank, Credit Fees			
Licenses & Permits			
Insurance			
Payroll Fees			
Postage			
Accounting			
Office Supplies			
Telephone/Wifi/Website			
Marketing & Promotions			
Labor			
General Manager	$60,000		
Bar Manager	$45,000		
Load Factor for FT employees	38%	$144,900	
Bar Staff (Allowance for hourly)	$30,000	$30,000	$27,300.00
	SubTotal	$497,114	

Brockton Restaurant Incubator **2/1/2017**

SUMMARY OF OPERATING CASH FLOW & POTENTIAL FINANCING/DEBT

APPROXIMATION OF CASH FLOW FOR RESTAURANTORS | INCUBEES			
Incubee Revenues			
Food Service |Total Annual Sales		$1,764,834	from 'Revenue Model'
Incubee Operating Expenses			
Cost of Goods Sold | Food Service	34%	($595,632)	from 'Operating Expenses'
Labor	25%	($441,209)	placeholder; from comps
Other Administrative	5%	($88,242)	placeholder
Annual Estimation of Profit for Incubees		$639,752	

APPROXIMATION OF CASH FLOW FOR FACILITY | INCUBATOR			
Incubator Revenues			
Bar |Total Annual Sales		$713,736	
Contribution from Incubees | as % of Profit	30%	$191,926	(Profit determined per above)
Total Incubator Revenue		$905,661	If Incubee manages bar; alt structure
Incubator Operator Expenses			
Cost of Goods Sold | Bar	29%	($206,983)	
Direct		($173,500)	from 'Operating Expenses'
General & Adminstrative		($148,714)	from 'Operating Expenses'
Labor		($174,900)	from 'Operating Expenses'
Reserves for Replacement (Equip, etc)	$2.00	($17,428)	placeholder
		($721,525)	
Real Estate/Facility Related			
Rent (per SF)	$10.00	($87,140)	To Landlord
Tenant Electric (per SF)	$2.00	($17,428)	
Other CAM (per SF)	$2.00	($17,428)	To Landlord
		($121,996)	
Total Annual Expense for Facility | Incubator		($843,521)	
Annual Estimation of Profit for Incubator		$62,140	

Potential Supportable Debt | Given Cash Flow (Only)			
Debt Service Coverage Ratio	1.25	$49,712	
Interest Rate	5.2%	----	
Amortization Period	20	----	
Approximate Supportable Debt Amount		$609,148	
Total Capital Budget		$3,325,395	from 'Program & Budget'
Estimated Debt as % of Capital Budget (Loan-to-Cost Ratio)		18%	

Brockton Restaurant Incubator **2/1/2017**

FINANCING OF CAPITAL COSTS

USES OF FUNDS		
Incubator Fit-out Capital Costs	$2,614,200	from 'Program & Budget'
Equipment	$259,400	
Small Wares	$40,000	
Soft Costs & Contingency	$351,795	
Operating Resevrve	$0	
	$3,265,395	

SOURCES OF FUNDS		**TBD**
Tenant Allowance (from Landlord)		
Equipment Loan		
% LTC		
Rate		
Term		
Construction Loan/Perm		
% LTC		
Rate		
Term		
Other		
TBD		

Please see the Fit Out Cost assumptions in this Appendix for explanation of the $2,614,200.

NOTES

*

Budget

Included in this preliminary budget are the following:

- A level of finishes based on an aesthetic shown in the schematic imagery.
- Decorative lighting based on an aesthetic shown in the schematic imagery.
- Finishes and lighting based on general health department requirements.
- General and task lighting as required by the health department.
- Millwork (bar/counters/low walls,etc.) finishes and details based on an aesthetic shown in the schematic imagery.
- Exposed duct work for the HVAC system in the dining area and enclosed ducts in the kitchen, restroom and test kitchen areas.
- All plumbing fixtures and accessories for the restrooms.
- Finished stair treads and risers, railings and handrails.
- Interior and Exterior Furniture based on an aesthetic shown in the schematic imagery.
- Exterior Amenities such as awnings and signage.
- Window treatments.
- Connections for plumbing, electrical, natural gas and mechanical systems.
- Minimal site work.

LIBBY SLADER
INTERIOR DESIGN

FIT OUT ASSUMPTIONS

DRAFT

1/16/17

RESTAURANT INCUBATOR
60 Main Street
Brockton, Massachusetts

Preliminary Budget Information

Included in this preliminary budget are the following:

- A level of finishes based on an aesthetic shown in the schematic imagery.
- Decorative lighting based on an aesthetic shown in the schematic imagery.
- Finishes and lighting based on general health department requirements.
- General and task lighting as required by the health department.
- Millwork (bar/counters/low walls,etc.) finishes and details based on an aesthetic shown in the schematic imagery.
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- Finished stair treads and risers, railings and handrails.
- Interior and Exterior Furniture based on an aesthetic shown in the schematic imagery.
- Exterior Amenities such as awnings and signage.
- Window treatments.
- Connections for plumbing, electrical, natural gas and mechanical systems.
- Minimal site work.

First Floor = 4,357 square feet
Basement level= 4,357 square feet
Total Square Footage= **8,714 square feet**

Construction: $300 per square foot= $2,614,200.00
Furniture: $60,000.00
Kitchen Equipment: XXXX

Clarification on whether the landlord will be providing the following is recommended:
1. Leveling of the first floor and basement sub floor.
2. A fire separation in the ceiling from the first and second floors.

460 HARRIS AVENUE
UNIT 303
PROVIDENCE, RI 02909

T: 401-273-2090
W: LIBBYSLADER.COM

3. An egress corridor through the adjacent building, if a second means of egress is required from the basement.
4. A rated enclosure around the back fire stairs.
5. A drywall finish on the exterior walls.
6. A rated enclosure around the existing columns, if necessary.
7. Any exterior separation, i.e fence or planters to separate the eating area, if required by code.
8. Adequate service for this concept, such as electrical and natural gas.

460 HARRIS AVENUE
UNIT 303
PROVIDENCE, RI 02909

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W: LIBBYSLADER.COM

SENSITIVITY ANALYSIS

Brockton Restaurant Incubator **2/28/2017**

SENSITIVITY

Impact of changes on specific variables; sensitivity...

APPROXIMATION OF CASH FLOW FOR FACILITY | INCUBATOR	Baseline | Key Assumptions	less turns at high demand	more turns at high demand	higher avg. bills	25% less capital cost	
Total Capital Budget	$3,325,395				**$2,494,046**	
# of Turns at High Demand	1.50	**1.00**	**2.00**			
Avg Meal Spending - Lunch	$12.00			**$14.00**		
Avg Meal Spending - Dinner	$18.00			**$20.00**		
Avg Meal Spending - Bar	$12.00			**$18.00**		

Incubator Revenues							
Bar |Total Annual Sales		$713,736	$555,128	$872,343	$1,070,603	$713,736	
Contribution from Incubees | as % of Profit	30%	$191,926	$151,322	$232,530	$215,911	$191,926	
Total Incubator Revenue		$905,661	$706,449	$1,104,873	$1,286,514	$905,661	If incubee manages bar; alt structure
Incubator Operator Expenses							
Cost of Goods Sold | Bar	29%	($206,983)	($160,987)	($252,980)	($310,475)	($206,983)	
Direct		($173,500)	($136,261)	($210,738)	($213,919)	($173,500)	from 'Operating Expenses'
General & Adminstrative		($148,714)	($116,795)	($180,633)	($183,359)	($148,714)	from 'Operating Expenses'
Labor		($174,900)	($174,900)	($174,900)	($174,900)	($174,900)	from 'Operating Expenses'
Reserves for Replacement (Equip, etc)	$2.00	($17,428)	($17,428)	($17,428)	($17,428)	($17,428)	placeholder
		($721,525)	($606,372)	($836,679)	($900,081)	($721,525)	
Real Estate/Facility Related							
Rent (per SF)	$10.00	($87,140)	($87,140)	($87,140)	($87,140)	($87,140)	To Landlord
Tenant Electric (per SF)	$2.00	($17,428)	($17,428)	($17,428)	($17,428)	($17,428)	
Other CAM (per SF)	$2.00	($17,428)	($17,428)	($17,428)	($17,428)	($17,428)	To Landlord
		($121,996)	($121,996)	($121,996)	($121,996)	($121,996)	
Total Annual Expense for Facility | Incubator		($843,521)	($728,368)	($958,675)	($1,022,077)	($843,521)	
Annual Estimation of Profit for Incubator		**$62,140**	**($21,919)**	**$146,198**	**$264,436**	**$62,140**	

Potential Supportable Debt | Given Cash Flow (Only)							
Debt Service Coverage Ratio	1.25	$49,712	($17,535)	$116,959	$211,549	$49,712	
Interest Rate	5.2%	----	----	----	----	----	
Amortization Period	20	----	----	----	----	----	
Approximate Supportable Debt Amount		$609,148	($214,864)	$1,433,160	$2,592,230	$609,148	
Total Capital Budget		$3,325,395	$3,325,395	$3,325,395	$3,325,395	$2,494,046	from 'Program & Budget'
Estimated Debt as % of Capital Budget							
(Loan-to-Cost Ratio)		**18%**	**-6%**	**43%**	**78%**	**24%**	

EQUIPMENT LIST

The following list provides equipment for the first floor of the incubator, which was calculated with four (4) separate cooking stations, each consisting of the following:

9'-6" Exhaust Hood with Make-up Air and Fire Suppression System (ductwork and Fans by others)
24" Char-Broiler with Stand
Six (6) Burner Range with Standard Oven
Single Deck Convection Oven

60" Refrigerated Prep Table
48" S/S Work Table
9'-0" Double Overhead Pick-up Shelf
9'-0" Plate Storage Cabinet
Hand Wash Sink

One (1) separate 12' Beverage Station with one (1) two (2) section Reach-in Refrigerator

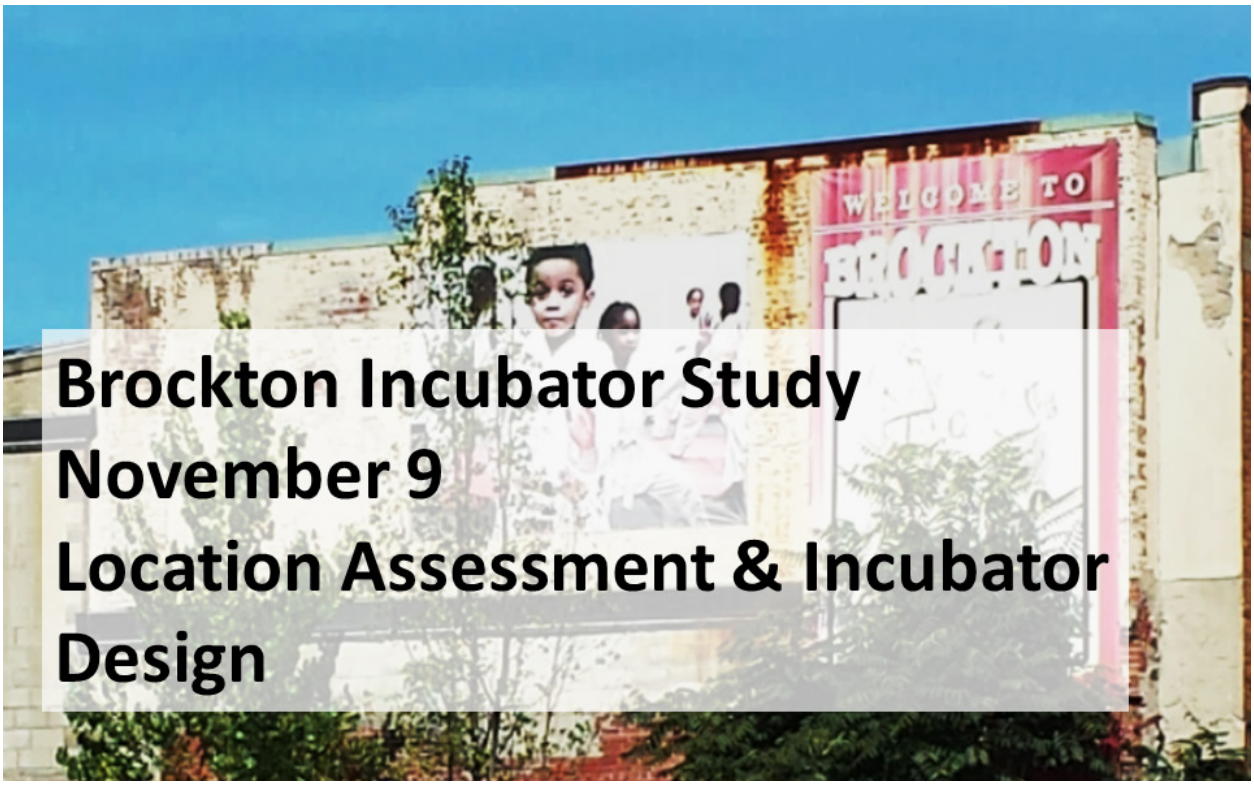
The back area of the space consists of the following:

"U" Shaped Diswashing Assembly with a Ventless Dishwasher
Pot & Pan Sink
Dry Storage Shelving
Five (5) S/S Prep Tables (one with two (2) built-in Prep Sinks)
Two (2) Overhead Hanging Utensil Rack
40 Quart Floor Mixer
Manual Food Slicer
3 Quart Food Processor
Two (2) Hand Wash Sinks

The lower level consists of:

10' x 12' Walk-in Cooler
10' x 12' Walk-in Freezer
Two (2) S/S Work Tables
Dry Storage Shelving
18 each Employee Lockers

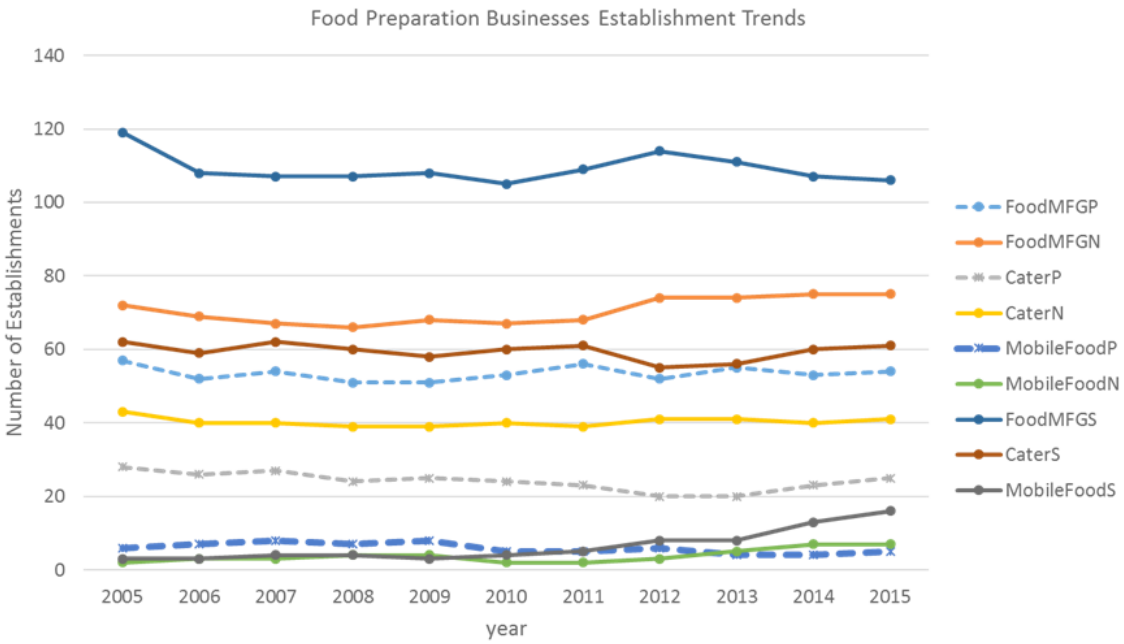
PRESENTATION, 11/9/16



Incubator Model

Food Incubator: Trend lines suggest mobile food service is where the net growth lies

- Represents universe of 390 businesses in Plymouth, Norfolk & Suffolk counties

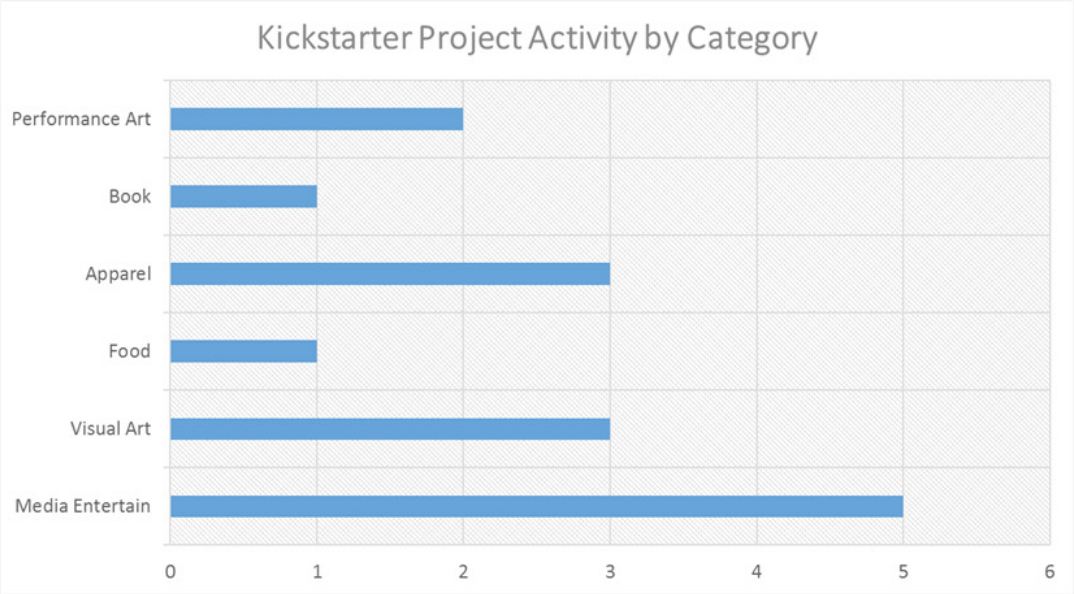


Findings from interviews to date

Work in progress

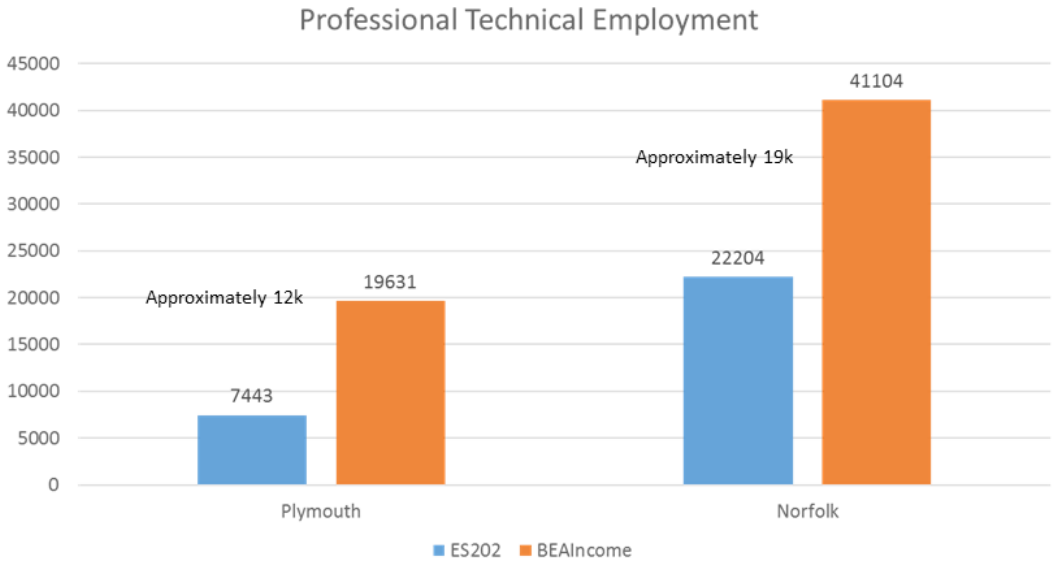
- Concern that the market is saturated on that side – with a distinct disadvantage for new attempts.
  - Incubators are valuable due to the network and 'hub' nature of information, shared services, etc. – a new entrant would benefit from an affiliation with one of the existing players, and that is unlikely at this time as their programmatic needs and focus are elsewhere.
- A few conversations have led to the idea of more simplified commercial kitchens: code compliant spaces that can be used as a catering kitchen, for hobbyists, as test kitchen for established restaurants and the like. The notion of a modern 'church kitchen'.
  - Needs to be further explored

Other indicators



Co-working space indicator

- There is a large pool of professional / technical employment not tied to employers with UI reporting
- SBA data shows this sector is the largest sector consisting of sole proprietorships and non retail businesses under 20 employees



Estimated restaurant demand in Brockton

- There appears to be enough economic capacity to support
  - this excludes surburban expenditures

- Format, price point, and concept will be important determinants of success
- Categories where there is excessive supply does not suggest room in the market for new businesses but is suggestive of need for new format to avoid cannabilisation

Category	Demand	Supply	Gap
Total Food & Drink	$113.2m	$111.4m	$1.8m
Full Service	$68.7m	$50.7m	$18m
Limited Svc	$38.7m	$41.2m	- $2.5m
Bars Drinking Places	$3.1m	$6.2m	- $3.1m

Incubator Model

Smallman Incubator Video

Research reveals 3 basic restaurant incubator models

	Food Court / Common Area	Multi-concept Dedicated "White Box"	Rotating / Pop Up
Example	Smallman Galley Pittsburgh PA	Trinity Grove Dallas TX	Misery Loves Company Burlington VT
Kitchens	4 cooking stalls	17 single restaurant units	1 kitchen
Capacity	200 seats	Approximately 100 per unit including outdoor	25 seats
Key Model Design	▪ Located in existing restaurant area ▪ Liquor license held by landlord ▪ Wait staff works for landlord	▪ Designed as destination to drive residential development ▪ Rent is equity plus low base rate and percent of sales ▪ Each restaurant has individual liquor license ▪ Common area improvements	▪ Rent per use ▪ Concept is to let people try out running a restaurant for a weekend, serve as a test kitchen for existing chefs or rent for special events or small batch "hobbyist" approach ▪ In process of reprogramming
Governance	For profit owner	For profit owner / restaurant investor	For profit owner Facility is repositioning after 3 years as incubator

Research reveals 3 basic restaurant incubator models

In progress

	Food Court / Common Area	Multi-concept Dedicated "White Box"	Rotating / Pop Up
Example	Smallman Galley Pittsburgh PA	Trinity Grove Dallas TX	Misery Loves Company Burlington VT
On Boarding		▪ Each potential candidate goes thru an application and business planning process supported by Trinity Groves ▪ Some restaurant experience is desired among the management team ▪ Trinity Groves meets regularly with	▪ Proposals are submitted to owner ▪ Standard legal agreement also covering insurance
Lease length	18 months	▪ 1 year minimum on a month to month basis – some are longer ▪ "required" if space is available to go into another larger site at Trinity Groves	
"Graduation"			

Food Business Incubator

- Still in dialogue with potential shapers/participants of program
- No overwhelmingly clear path/anchor user to serve as catalyst
- Disadvantage of need to build support network (ecosystem) and create physical facility

BEST PRACTICE FINDINGS FROM KITCHEN INCUBATOR STUDY

Flexibility And Customization: ability to adapt to changing food businesses and changing scales

Automated Operations: reduce staffing needs at the incubator

Business Assistance And Micro-lending: bulk purchases of core ingredients, recipe scaling, working capital support

Marketing And Procurement Contracts: help securing customers including support on performance requirements

Copacking And Distribution: packaging and trucking particularly refrigerated trucking

Multiple Revenue Streams: diversify sources of revenue to reduce tenant reliance

Partnerships With Regulatory Agencies: facility licensing versus user licensing

Combined approach?

- Restaurant incubator with a pop up “catering” kitchen & a nano brewery / distillery
  - Flexible, modular – scalable components as building blocks to full program and facility
  - “prove the market” before committing to a major build-out and program development

Nano brewery / distillery ?

Brew Crew Approach:

Targeted to home brewers legally licensed space with equipment for small batch brewing and an attached taproom that is licensed to serve and sell beer produced on the premise.

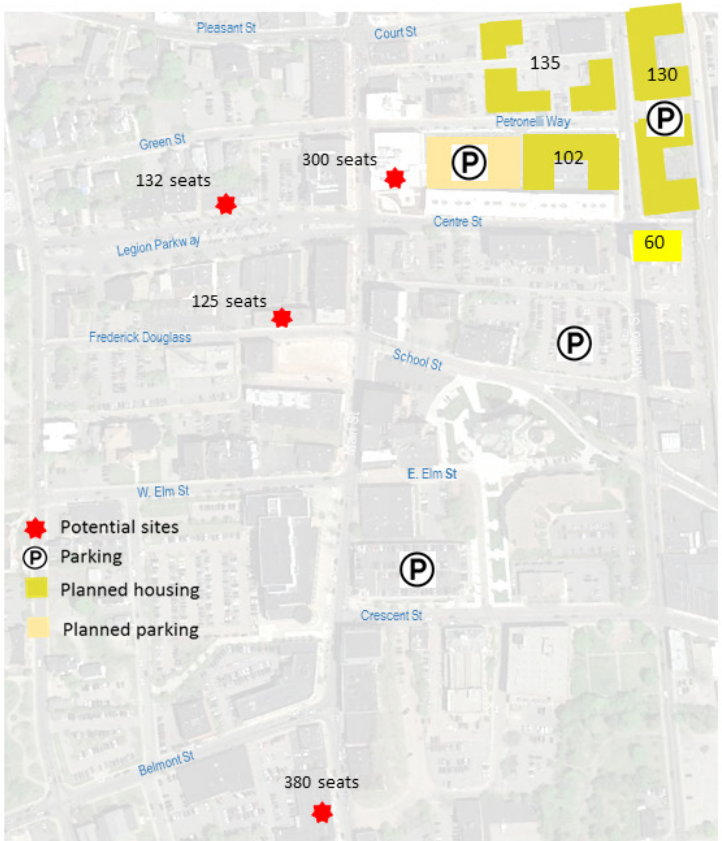
By establishing legal DBAs (Doing Business As), Brew Crew Inc. allows each nano brewer to sell their beer using their own personal label without having to worry about the various licenses that are carried by Brew Crew Inc.

Hopsters

Location Assessment
Restaurant Incubator

Potential Restaurant Incubator Sites

- Four sites:
  - 60 Main Street
  - 53 Legion Way
  - 275 Main Street
  - 15-25 Frederick Douglass
- Eliminated 26 School because of size of building
- Assumed parking situation based on planned and proposed build-out



Building Criteria

- *Visibility / accessibility:* visibility from major thoroughfares, ease of car navigation, pedestrian distances from off street parking
- *Seating capacity:* how many seats are possible assuming 60% space for seating; assuming 4 kitchen stalls
- *Utility space (storage, prep):* are there additional spaces to use for kitchen support to make core space geared to revenue generation
- *Ready-to-go infrastructure:* are necessary utilities in place?
- *Off street loading:* Can I unload off the street
- *Nearby parking:* Is parking available within line of sight? What type of parking is available? Surface lot? On street? Garage?
- *TDI/Street impact:* How much line of sight frontage is addressed? Does it improve the existing building quality? Does it have the potential to be catalytic
- *Nearby restaurant capacity:* Can a successful restaurant migrate to a nearby facility? Is it possible to create a dining destination with multiple facilities?

Trinity Enterprise Building

Key Highlights

- Fastest to launch
- Major building renovation has occurred
- Required infrastructure is in place – black pipe & venting access
- Existing outdoor dining location
- Floor plans have been developed
- Limited leverage into rest of block

Trinity Enterprise Building

Criteria	Rating	Discussion
Visibility / Accessibility	High	At major street intersection High traffic area (car & pedestrian)
Seating capacity	300	Two floors
Utility space (storage, prep)	Yes	Full basement
Ready-to-go infrastructure	Yes	
Off street loading potential	No	May depend on how parking garage is designed
Nearby parking	Yes	Required Parking: 75 Parking garage on-site Street parking
TDI / Street impact	Low	14%: 131ft/961 ft of line of sight street frontage Major building improvement already occurred – this is a completion strategy "Anchor" office tenants in nearby buildings with limited evening activity Outdoor dining patio
Nearby Restaurant Capacity	Limited	1 restaurant (Chinese)

Legion Parkway

Key Highlights

- High visibility
- Locational leverage
- Abundant parking
- Existing small restaurant infrastructure can serve as a "test kitchen" / restaurant pop up for restauranteur wanting to test Brockton market with minimal risk
- Expansion to other storefronts
- Building needs restoration post fire
- Site control / long term lease potential

53 Legion Parkway

Criteria	Rating	Discussion
Visibility / Accessibility	High	On major street that intersects with Main St High traffic area
Seating capacity	132	3300sqft. Assumes build out of convenience store side as well.
Utility space (storage, prep)	Unknown	Basement?
Ready-to-go infrastructure	Partially	Existing restaurant space has utilities – gas service may need to be extended Expansion to convenience store space- venting could occur through the roof
Off street loading potential	No	No apparent access to rear of building
Nearby parking	Mixed	Required parking spaces: 33 Public surface lot 650ft away Street parking
TDI / Street impact	Low	8%: 96ft/1190ft of line of sight street frontage Major rehab of existing abandoned building on major corridor Storefronts are active surrounding property with façade program could lead to major visual improvements Sidewalk is wide enough for outdoor dining
Nearby Restaurant Capacity?	Yes	3 restaurant facilities (2 are operating)

Frederick Douglass

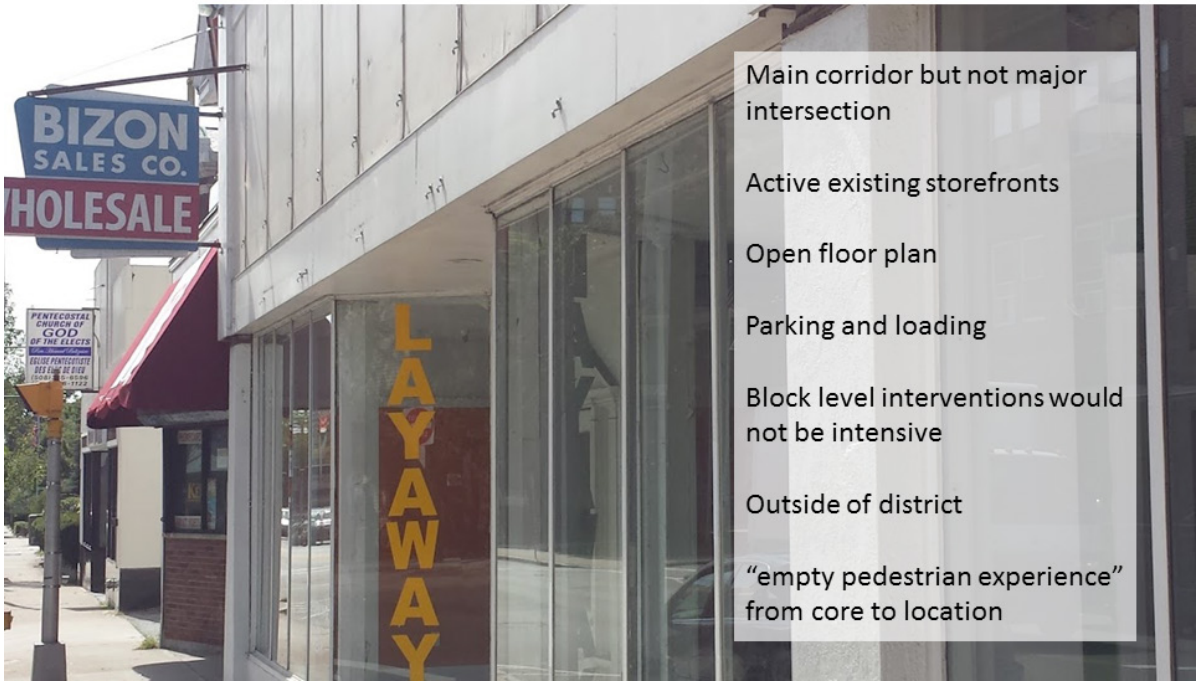
Key Highlights

- Site control of key neighboring components to block
- Potential pedestrian connection to Legion Way
- Storefront design allow creation of “modular” single concept stores
- Requires significant rehab
- Potential logistical challenges

Frederick Douglass

Criteria	Rating	Discussion
Visibility /Accessibility	Medium	Off Main St – partly shielded by building with visibility from Main St On one way secondary street
Seating capacity	125	Assumes 3125 sqft
Utility space (storage, prep)	Yes	Basement?
Ready-to-go infrastructure	No	Venting is possible thru rear
Off street loading potential	Minimal	Some potential through rear access but not large enough for most delivery trucks
Nearby parking	Mixed	Required Parking: 32 Public surface lot 650ft away Street parking At least 113 private surface spaces within in direct line of sight or less than 200ft away
TDI / Street impact	Low	8%: 150ft/1964 ft of line of sight street frontage (40% of frontage is surface parking) Major rehab of existing abandoned building Site control of neighboring properties Sidewalk too narrow for sidewalk dining – parklets are possible
Nearby Restaurant Capacity?	Limited	1 café

275 Main - Comfort Furniture site



275 Main

Criteria	Rating	Discussion
Visibility / Accessibility	Medium	On Main St but not approximate to any major intersections
Seating capacity	380	Estimated 9.5ksft - single floor
Utility space (storage, prep)	Yes	Unknown
Ready-to-go infrastructure	No	Ventilation possible thru roof
Off street loading potential	No	Yes – loading dock in rear with accessible alley
Nearby parking	Yes	Required Parking: 95 Parking garage in line of sight 480ft away On-Street parking Rear parking
TDI / Street Impact	Low	12%: 131ft/1112 ft of line of sight street frontage Outside of district Building facades are in good shape Storefronts are active Sidewalks marginally wide enough for limited outdoor dining; 1 to 2 street parking could be used as a parklet
Nearby Restaurant Capacity?	Yes	5 restaurant/cafe spaces within 400ft (3 appear active)

Restaurant Build-out Costs

A build-out similar to Smallman Galley has been estimated at $250 to $300 per foot including the kitchen equipment

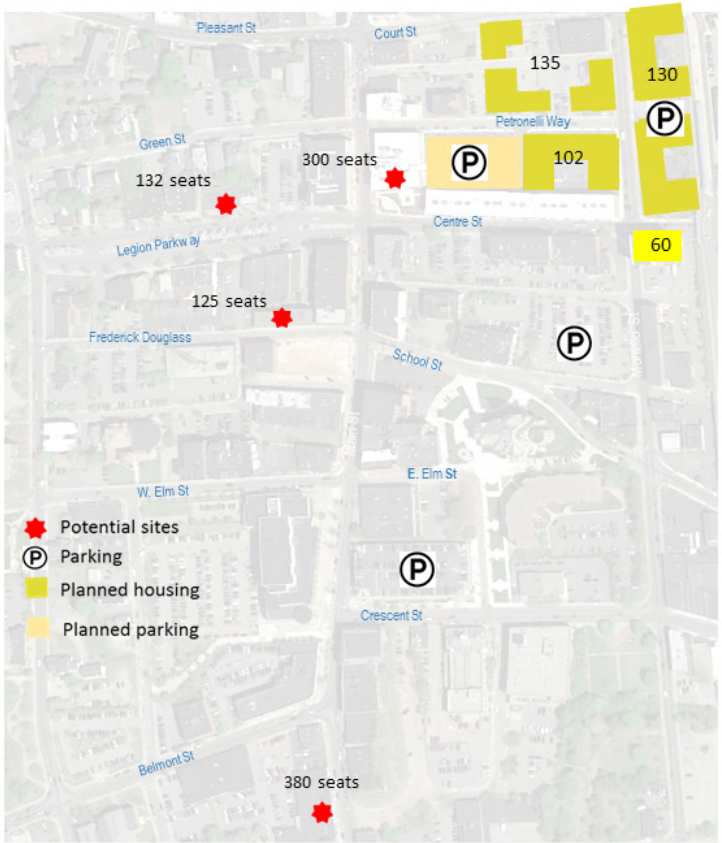
Rough cut order of magnitude restaurant build-out costs at $275/foot excluding major building rehabilitation:

Trinity: will likely be less than this estimate since some of the infrastructure is in place
Legion Way: $907K plus building rehab
Douglass: $859K plus building rehab
275 Main: $2.475M plus minor building rehab

Smallman Galley

Location Assessment
Market Factors

Potential Restaurant Incubator Sites



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Bars Drinking Places	$3.1m	$6.2m	- $3.1m

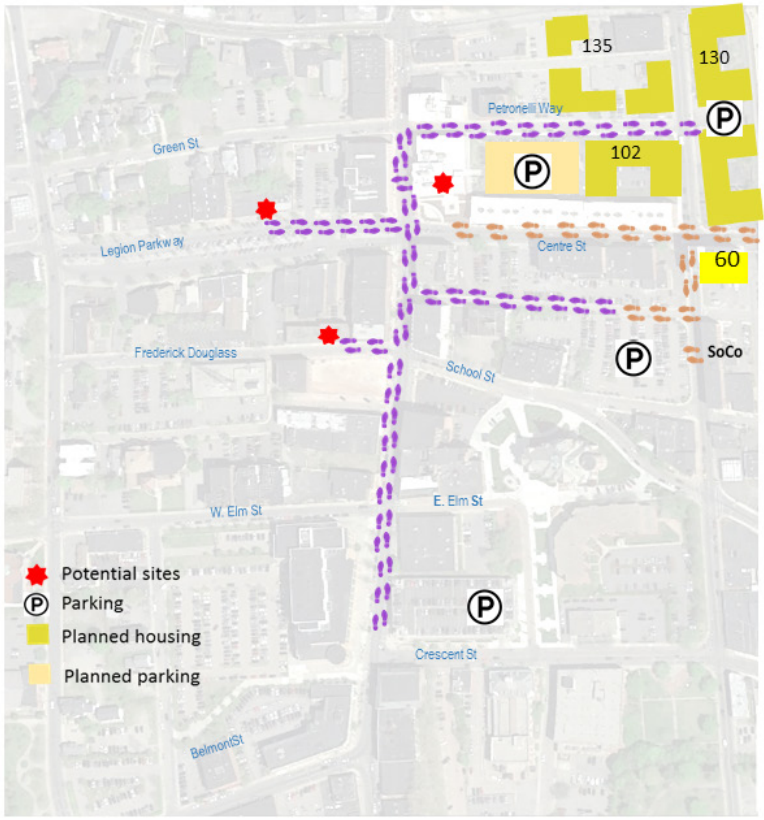
Walkable Market

- Success will depend on the ability to draw from outside of the downtown including with the new housing
- 427 new units at $50,000 median household income translates to approximately $2m in outside food and beverage spending
- Each $25,000 increase median household income adds about $960k in spending potential

	Trinity	Legion Way	Fredrick Douglass	275 Main
¼ mile Households	773	783	730	517
¼ mile Spending Capacity Spend Gap	$1.1m ($2.2m)	$1.3m ($1.9m)	$1.2m ($2.8m)	$979k ($2.7m)
½ mile Households	2864	3370	3354	2775
½ mile Spending Capacity Spend Gap	$6.2m $85k	$7.8m $1.6k	$7.5m $1.4m	$6.4m ($2.3m)

Walksheds: Trinity/Legion Way/Douglass

- These sites are just within ¼ mile of current and planned public parking
  - ~ 124 parking spaces on Legion Way
- Also inside ¼ walk from new housing projects from Downtown Action Plan
- 1/3 mile to almost ½ mile from SoCo District
- These are the major corridors that need to be addressed from a pedestrian experience

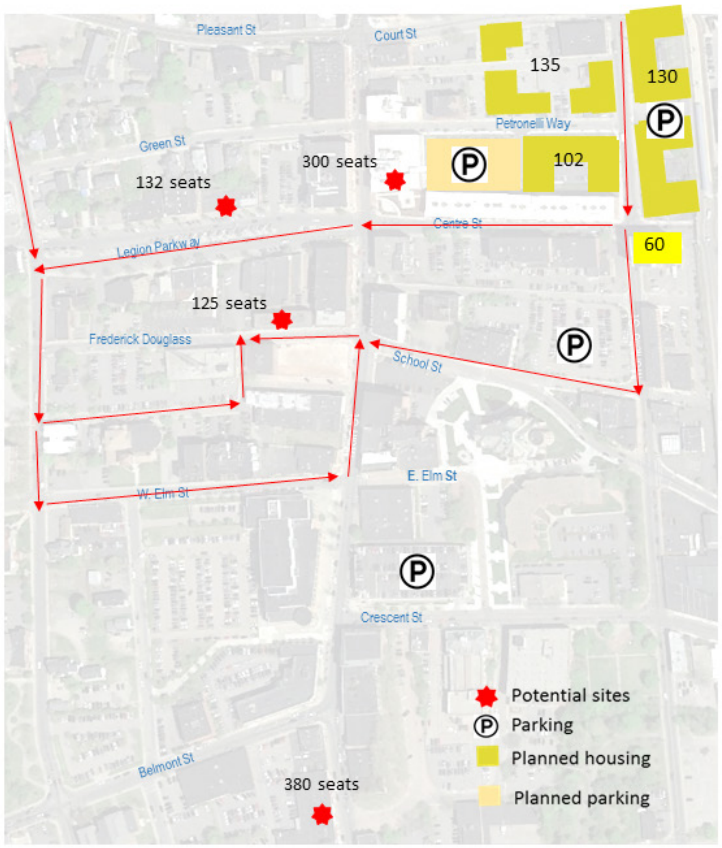


Drivable Market

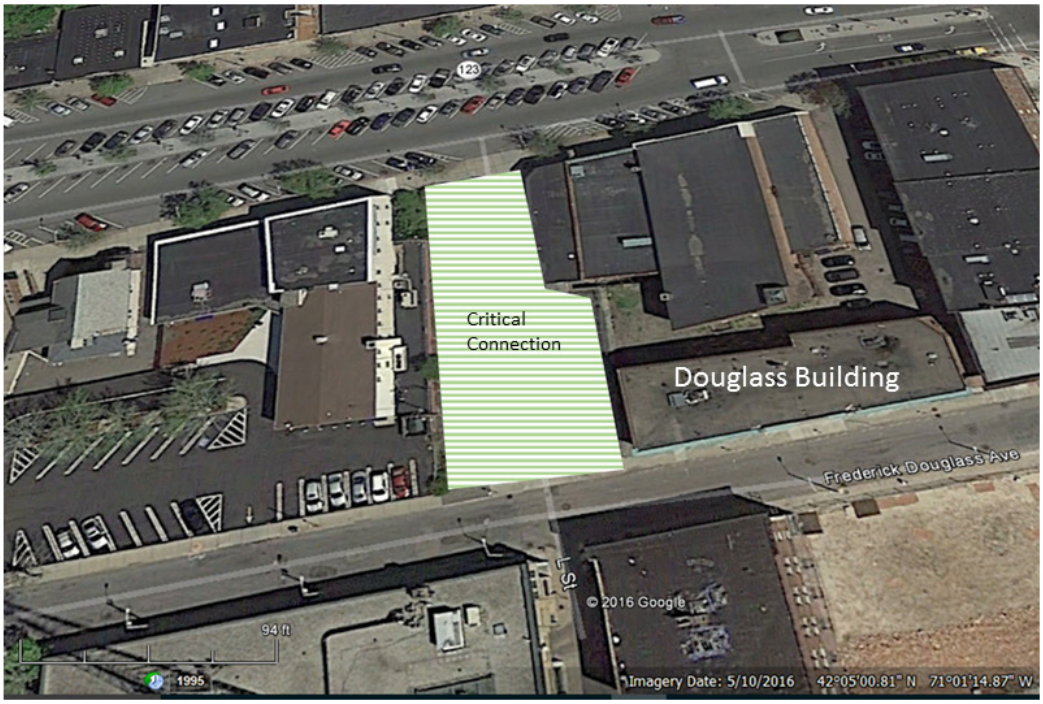
	Trinity	Legion Way	Fredrick Douglass	275 Main
5min Households	11,382	12,032	12,032	12,652
5 min Spending Capacity Spend Gap	 $31.8m $13.8m	 $34.5m $11.1m	 $34.5m $11.1m	 $37.1m $15.3m
10min Households	34,564	34,240	34,240	33397
10 min Spending Capacity Spend Gap	 $115.6m $22.5m	 $115.9m $26.3m	 $115.9m $26.3m	 $111.9m $10.1m
20min Households	100,301	99,175	99,175	99,553
20 min Spending Capacity Spend Gap	 $429.7m $50m	 $425m $42.3m	 $425m $42.3m	 $429m $39.8m

Car Navigation

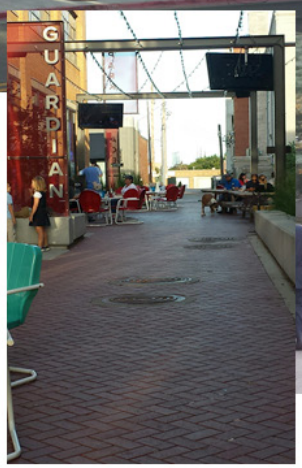
- Trinity & Legion Way do not have major access challenges based on the one way street configuration of the downtown
- Frederick Douglass, however, has some navigation challenges for people desiring to park on the street (assuming private lots are not accessible) particularly from north and east

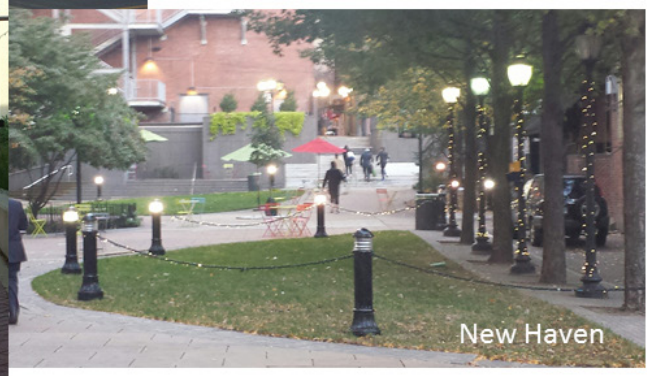


Because of parking, car navigation & pedestrian, access to this connection could be critical for Frederick Douglass



Connection Examples





Location Discussion

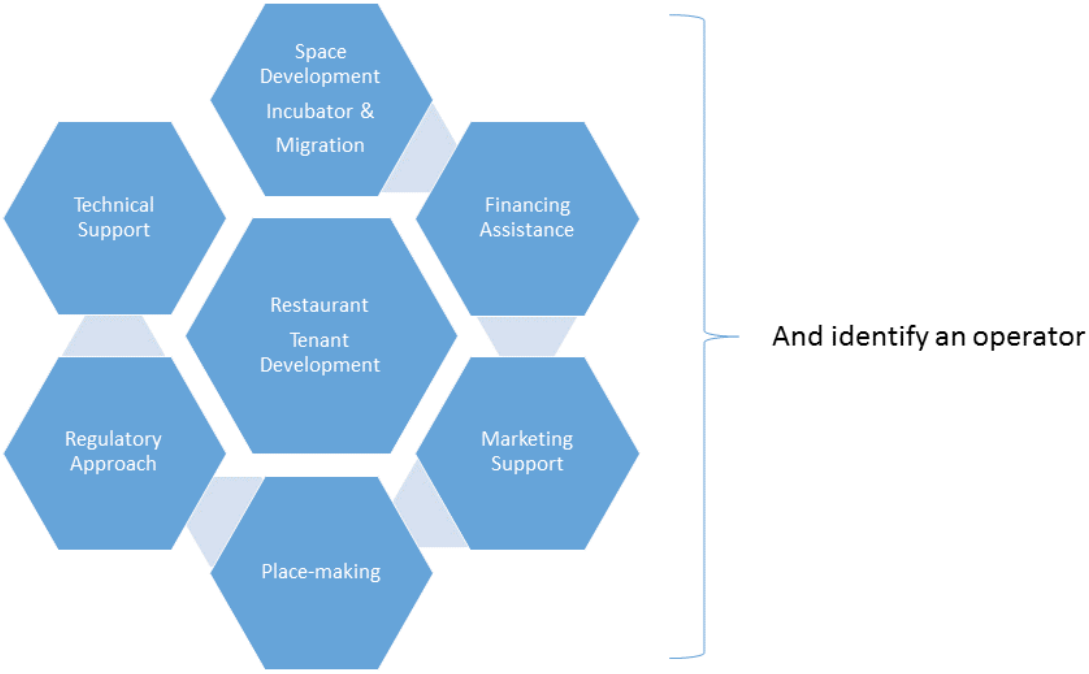
Eliminate 275 from Consideration

- 275 Main St does not make sense as the location for a restaurant incubator
  - Distance from new housing
  - Smaller market & away from major North and West access points
  - May have potential has a food business incubator

Representative Remaining Questions to Finalize Location

- How important is speed to launch versus continued downtown building & streetscape rehabilitation?
- Desire to have an intermediary landlord versus being the landlord?
- Importance as amenity to draw additional housing?
- Ability to create a restaurant district with this as pivot point?

Brockton will need a complete restaurant development program to support the incubator



Next steps

Retool the approach

- Finalize a location or narrow down the potential cohort
- Identify the key regulatory issues (liquor licensing for a nano brewery / distillery; single facility license versus user licensing, etc)
- Shape a comprehensive restaurant development program
- Focus on the high level business plan for a combined restaurant food incubator